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Special report on hotels

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Perkins steps up expansion drive

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FOOD

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Nation's
Restaurant News®

The Weekly Newspaper of the Food-Service Industry

Vol. 23, No. 45 | **Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year** | **November 6, 1989**

NRN Photo

Yoshimi Miyazaki, left, and A.C. Smith wait in vain for permission to re-enter their restaurant, Bento Baki, in the Cooper House after the earthquake.

Aftershocks: 'Everything we have is gone'

By Richard Martin

SANTA CRUZ, Calif. — Bleary-eyed and dejected, Yoshimi Miyazaki and her husband, A.C. Smith, waited outside the chain-link barricade emergency workers had thrown up around six blocks of earthquake-ravaged downtown Santa Cruz.

One week earlier the Santa Cruz couple sat stunned in Candlestick Park, unaware that the breathtaking temblor that stopped the World Series had originated 75 miles to the south, in the mountainous outskirts of their hometown.

"Everything we have is gone," said Smith, whose Japanese box-lunch cafe,

*(See **QUAKE**, page 71)*

Fast food seeks boost with bite-sized items

By Peter Romeo

In a nod to the grazing trend, several major fast-food chains are adding a new generation of side dishes and snack-like items to give customers greater flexibility in assembling a meal.

Kentucky Fried Chicken, Carl's Jr., Taco Bell, Roy Rogers and Jack in the Box have already adopted new appetizerlike customer lures, and McDonald's is flirting with the possibility. Dunkin' Donuts tested an unusual finger food as part of a menu-expansion drive that has since been discontinued.

The items, ranging from miniature egg rolls to carrot sticks, represent quick-service specialists' latest effort to rekindle sales by borrowing a few menu strategies from more upscale food-service operations.

For instance, among the items pouring out of KFC's test kitchens are Spicy Drummets — peppery, deep-fried chicken-wing segments that resemble miniature drumsticks. The appetizerlike pieces clearly owe more than a bow to the fiery Buffalo-style chicken wings that have become a staple of casual-theme restaurants in recent years.

Roy Rogers, Marriott's regional fast-food chain, has a somewhat similar product, called Wild Wings, that it puts on the menu from time to time for a quick sales spurt. As part of a six-week promotion, the item is currently being offered with three dipping sauces.

A Carl's Jr. sample of its appetizerlike Jr. Crisp Burritos.

"We view them as a snack or light-meal alternative," said KFC spokesman Dick Detwiler. "We thought that they would appeal to those who have been taken with what's known as grazing."

Grazing is the label that has been applied to a mounting consumer preference for meals comprising several small servings of different foods instead of one large entrée. Many full-service restaurants have addressed the trend by expanding their array of appetizers and offering specialties in half-sized portions.

Appetizer orders rose 33 percent between 1982 and '88, according to the National Restaurant Association.

After testing Drummets in

*(See **FAST FOOD**, page 4)*

NRN unveils design changes next week

With next week's issue, Nov. 13, Nation's Restaurant News will launch a contemporary new design with bolder graphics and an easier-to-read format.

The new look will be one of the biggest changes in Nation's Restaurant News since it converted from biweekly to weekly frequency five years ago.

Watch for it.

As no-smoking rules spread, operators' resistance ebbs

By Carolyn Walkup

As more and more states and municipalities enact laws that require restaurants to have non-smoking sections, operators are learning to adapt to regulations restricting where they can seat customers.

Adapting has gone the most smoothly in locations where laws allow operators flexibility in determining the size of each section. The need to be flexible is emerging as the key issue as laws are being passed and modified.

Operators who have become accustomed to such laws reported few problems in accommodating customer seating preferences, perhaps demonstrating that it takes time to get used to change. But those who are not yet comfortable with new restrictions are experiencing frustrations.

A 1½-year-old New York City law that mandates setting aside 50 percent of seats for non-smoking has aroused the ire of Fred Sampson, New York State Restaurant Association executive director, and of many member operators. "We oppose any mandated set-aside. The ability to deliver a table at

*(See **NON-SMOKING**, page 71)*

FOOD WATCH

Gator chips

LAKE BUENA VISTA, Fla. — Out of the muck and mire of the Florida Everglades here lurks a beastly new taste treat: Gator Chips.

Disney resorts corporate executive chef Johnny Rivers dredges thin pieces of alligator tail or loin in blue cornmeal, seasons them with salt and pepper, and

*(See **FOOD WATCH**, page 71)*

CHARLES BERNSTEIN: NO SUBSTITUTE FOR TRADITION, LOYALTY — Page F3

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Newsroom 285
Display advertising 404
Classified advertising 492

Subscription rate: food-service operators and wholesaler-distributors, one year, $29.50, two years, $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers and schools) and all others, $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the last Monday in December, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to: Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include mailing label.

Vol. 23, No. 45 Nov. 6, 1989

NEWS DIGEST

McD enrolls 456 units in recycling program

OAK BROOK, Ill. — Embarking on what is believed to be the largest trash-recovery program ever undertaken by a restaurant operator, McDonald's said it would recycle the polystyrene boxes and other plastic materials used in 450 of its New England units.

Under the plan, which begins in 1990, consumers will be asked to discard plastic boxes and wrappers in special receptacles within the units. The containers will then be trucked to a recovery plant and converted into plastic pellets, which in turn will be processed into other products.

The effort is "certainly" the most ambitious ever drafted by a fast-food operator and possibly "the largest plastic recycling effort anywhere," said Paul Keough, an official of the Environmental Protection Agency.

Court denies Rally's request to halt group, leader says

LOUISVILLE, Ky. — The leader of a group seeking control of Rally's Inc., operator here of the Rally's drive-thru chain, said a federal court has denied Rally's request for an injunction to block the raiders' purchase of additional shares in the company.

Entertainment mogul Burt Sugarman, who is marshaling the attempt to seize Rally's helm, said he and two other Rally's directors would persevere in their effort to replace at least two other members of Rally's nine-person board. The group said it already controls 45.2 percent of Rally's shares outstanding.

Rally's alleged in its suit that Sugarman and two allied directors had violated federal security laws by not disclosing their plans to amass a major stake in the company, which initially issued stock on Oct. 12.

Sugarman has countered with accusations that certain of Rally's directors are allied with Wendy's, a rival fast-food chain.

Dunkin' Donuts says it's fielding purchase offers

RANDOLPH, Mass. — Dunkin' Donuts said it has begun accepting formal bids from parties interested in acquiring the company, which franchises the nation's largest chain of doughnut shops.

"No determination has yet been made to sell the company," cautioned Dunkin' chairman Robert Rosenberg, calling the possibility "one alternative." However, in earlier statements the company indicated that it was meeting with suitors while contemplating a management-led leveraged buyout.

"The board has adopted procedures to receive and review proposals in order to determine which alternatives would best serve the interests of the company's shareholders," Rosenberg said.

Pizza Hut buys Romet units in latest expansion push

BOCA RATON, Fla. — Pizza Hut, the nation's largest pizza chain, said it has agreed to buy the 54 units operated by Romet Corp., a franchisee based here.

Terms were not disclosed, but Pizza Hut indicated in a prepared statement that it plans to begin operating the units by Jan. 1. Romet's stores are in Pennsylvania and South Carolina.

Pizza Hut has been building sales in part by acquiring franchisees.

Pangaud confirms he will leave Aurora

NEW YORK — George Pangaud, chef of Joe Baum's swank Aurora restaurant here, has confirmed reports that he will leave the operation next month to open his own place.

Baum's restaurant company, Baum and Whiteman, has yet to name Pangaud's successor.

The French chef has indicated that his solo venture will feature a moderately priced menu.

Shoney's franchisee hit with discrimination suit

TUCKER, Ga. — Atlanta Family Restaurants, Inc., a 45-unit Shoney's franchisee here, is being sued by two former employees who alleged that the company discriminated against blacks.

The suit, filed in U.S. District Court in Atlanta, charged that the operator's policy kept blacks in kitchen positions while whites were given front-of-the-house jobs.

Meanwhile, Shoney's Inc., which is not a defendant in the suit, is complying with an out-of-court settlement with the NAACP Legal Defense and Educational Fund. Two months ago, in a separate development, Shoney's signed a pact with the Southern Christian Leadership Conference to provide blacks with jobs, scholarships and training.

Restaurant loses license after turning away blacks

NORTH AUGUSTA, S.C. — The Buffalo Room, a bar and restaurant that allegedly refused to serve blacks for almost 10 years, has been stripped of its liquor license and has apparently closed despite a change of policy.

Meanwhile, the South Carolina State Conference of the National Association for the Advancement of Colored People is pushing a $1.2 million civil suit against the restaurant's owners, and the U.S. Justice Department also is suing the family which runs the place.

The actions stem from a Sept. 5 incident in which Bruce Salter, in front of reporters and news cameras, refused to admit blacks into his restaurant. A week later, after a storm of negative publicity, Salter reversed the policy.

Morton replaces Arnie's with Italian trattoria

HIGHLAND PARK, Ill. — Celebrated restaurateur Arnie Morton has replaced his Arnie's First Street Pier seafood restaurant here with Brio, an Italian trattoria.

Designed and managed by Roger Greenfield, who closed a group of high-profile restaurants he formerly operated, including Dixie Bar & Grill, Brio features thin-crust pizzas and pastas.

Morton sold his Morton's of Chicago steak-house chain earlier this year. He continues to operate a restaurant here called Morton's and places in Chicago named Arnie's and Morton's Marketplace.

Biloxi's Brown, queen of Broadwater, dies

BILOXI, Miss. — Dorothy Brown, famed operator of the landmark Broadwater Beach hotel here, died at her home in New Orleans. She was reportedly more than 90 years old.

Brown assumed control of the resort property in 1959, following the death of her husband, Joe W. Brown. The hotel, which quietly functioned as a casino during the 1950s, fell into decline after federal authorities cracked down on gaming along the Gulf Coast.

Brown converted the property into a wintertime resort by adding a marina and golf courses. The resort reigned for almost 30 years as one of Biloxi's most popular places to stay.

CRA seeks assistance for quake victims

LOS ANGELES — The California Restaurant Association is seeking cash contributions to a relief fund it has established to help restaurateurs aid earthquake victims in Northern California.

An estimated 10,000 Californians were left homeless by the Oct. 17 quake, half of them in Santa Cruz County, where food-service firms contributed heavily to community food banks and Red Cross shelters.

The CRA said checks to the CRA Earthquake Fund may be mailed to the association's headquarters at 3435 Wilshire Blvd., Los Angeles, Calif. 90010.

FOCUS | OPINION

Nation's Restaurant News

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212 371-9400
Subscription Services:
(212) 697-2165 or (212) 697-2166
Cable Address: LEBHAFRIED
Panafax: 212 838-9487

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The Audit Bureau MPA ABP

Publisher of Nation's Restaurant News, Discount Store News, National Home Center News, Drug Store News, Accounting Today, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

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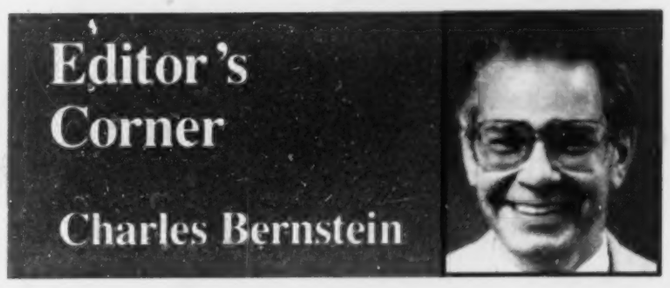
No substitute for tradition, loyalty

With all the hoopla and trendiness today, the good old days don't look so bad: the simple menu and the uncomplicated atmosphere before the industry began growing and long before it developed the problems that come with maturity.

An era ended last month in Glendale, Calif., when the original Big Boy, the predecessor of all Big Boys, closed preparatory to demolition. The Marriott Corp., which bought the chain and the Big Boy franchising rights in 1967, made a hard-nosed decision to sell the original restaurant to a developer of a small shopping mall.



Actually, Bob's Big Boy is destined to become history as a chain within the next two years, assuming that Marriott implements its plans to convert all the units into the far trendier Allie's. Questions have been raised about the productivity and profitability of Allie's and its buffet concept in Marriott's framework, and one hears rumblings, denied by the company, that Marriott might spin it off or sell it.

In any case it is sad that Bob's Big Boys' brown-vinyl-upholstered booths and old-time decor, double-deck burgers, and brownie hot-fudge sundaes will be replaced with pasta salads, Mexican offerings, sourdough and other trendy offerings.

Robert Wian, now 75, who as a wide-eyed 24-year-old bought a 10-seat Glendale diner in 1938 by selling his car for $350, mourned the loss. "I feel terrible about this," he said at the site on the last day. "It's tough to stand in the way of progress, but there's a lot of sentiment tied up in this place."

Wian was honored in 1987 as Nation's Restaurant News' Multi-Unit Food Service Operators (MUFSO) Pioneer of the Year. He was a true industry innovator.

For a refreshing look at the good old days, just consider that when Wian switched his diner to Bob's drive-in in 1940, he retained a "meat and potatoes" menu. It cost only 60 cents then to buy a hamburger and a milk shake "so thick you could eat it with a spoon."

Basic values continued for years, even when the prices doubled. This sort of tradition is a prime ingredient that may be missing from the industry today.

It was Wian who expanded the drive-in concept into Bob's Big Boy sitdown restaurants in the 1940s and obtained the franchising rights for the groups of Big Boys that developed. Many of the groups retained their individuality and were never molded into a cohesive empire, as they might have been. Some even took off the "Big Boy" name.

Marriott sold the ffanchising rights to Elias Brothers Big Boys of Michigan two years ago and kept Bob's Big Boys with the idea of converting them to Allie's.

Actually, Wian's original Big Boys were the forerunner of the modern coffee-shop chain, in effect spawning Sambo's, Denny's, Perkins and others. Wian, Carl Karcher and the McDonald brothers were the California pioneers in the fledgling industry of the 1940s.

Longtime Bob's customers who were there the final day swore by the place. "I really grew up here," said one.

"I used to come here in my old Plymouth, order a Coke and fries and wait for girls. Hard to believe it's closing down. This is a landmark."

"I've eaten thousands of hamburgers here," said another. "I've come here all my life. My mother used to reward me with a hamburger and chocolate shake after clarinet lessons."

Wian launched the double-deck hamburger as a kind of joke to please a customer who wanted something different. But it caught on, and the double-decker became a symbol of Big Boys and gained popularity through much of the industry.

The Big Boy symbol, a statue of a chubby boy with suspenders, was adapted by Wian from a sketch that a customer drew on a napkin, depicting a boy cleaning counters at the restaurant. It became a national emblem.

Wian understandably can't bear to give up his original Big Boy completely. His first spatula and menu from the restaurant, which were displayed in a glass case there until the closing a few weeks ago, will soon be placed in his Newport Beach, Calif., home.

Bob's Big Boy may have grown stale and dated to some degree, but the food-service scene should always reserve room for tradition.

The kind of customer loyalty that Wian built is irreplaceable. Today's fickle consumer flits from one new trendy place to another.

A prime reason why customer loyalty has dwindled in the industry is the constant swing toward trendiness. It is time for each segment to revive some of the basic precepts that Bob Wian and Bob's Big Boy represented.

LETTERS

Black Americans among 'best and brightest'

Editor, NRN:

As an avid reader of Nation's Restaurant News, I was most encouraged when I read your Editor's Corner titled "Blacks Face Barriers in Exec Aspirations." As a black entrepreneur in the hospitality industry, I have often questioned the absence of blacks in upper-management positions in hotels, chain restaurants and fast-food operations.

Similarly, as one of a handful of black attendees at MUFSO '89, I marveled that the only black executive who was not an exhibitor was Herman Cain. Your editorial will, I hope, enlighten those who are in a position to help remedy and this industry inequity and subsequently benefit from the correction.

Even in metropolitan areas with substantial black populations, blacks are generally found in the "back of the house" cooking, cleaning or assisting managers. While those positions are certainly essential to the success of an establishment, there are many able bodies who simply are not given the opportunity to do anything else.

The result is that I have been able to attract excellent managers whose backgrounds include Marriott, Steak and Ale, General Mills and Marriott Host. Each and every one felt that he had advanced as far as possible in a white environment and jumped at the opportunity to help build a comparable organization. While I am extremely grateful, I am saddened by the reality of my good fortune.

I hope that your readership will be enlightened by your column and that more qualified minorities will be seriously considered for executive training programs and advancement. I am not promoting tokenism; I am promoting common sense.

I truly believe that we all stand to benefit from an industry that nurtures the "best and the brightest" — which also includes black Americans.

— Richard Rennie
president
A-Train Jazz Cafe
Underground Atlanta
Atlanta

Managing by numbers is an industry epidemic

Editor, NRN:

I Thoroughly enjoyed Tim McCarthy's Oct. 2 Viewpoint. He has done a tremendous service to all us marketers and, more important, to the category in general. His contention that we are too driven by the numbers and not managing the people, products and concepts is a legitimate one.

We would all agree it is important to be quantitatively responsible but never at the expense of the "core strategy." If we can avoid falling victim to the malaise of short-term results, continue to be consumer driven and execute effectively, everybody would benefit.

Thank you for this succinct and well-written assessment of a problem that's endemic and epidemic.

— Kevin Murphy
vice president marketing/sales
Winchell's Donuts
La Mirada, Calif.

NY state wine makers overlooked in article

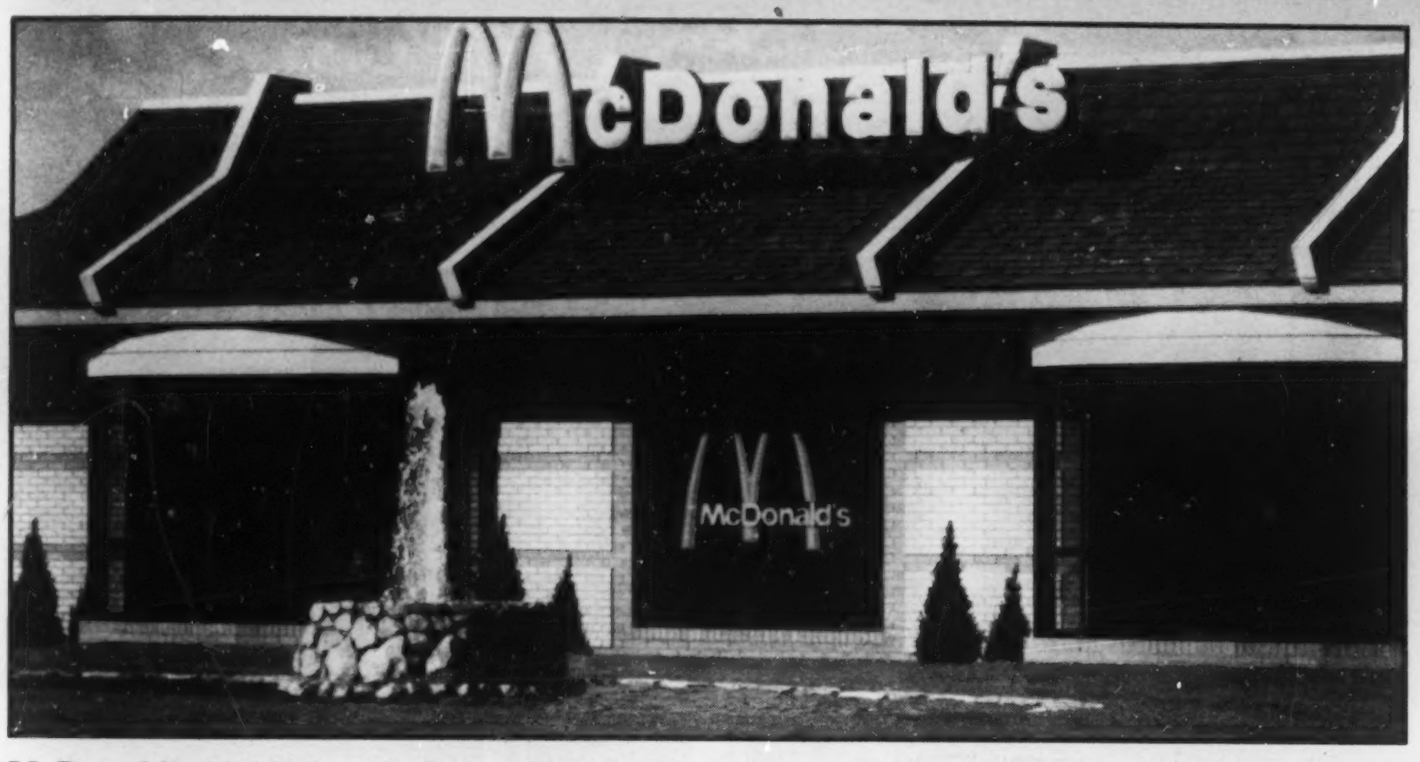
Editor, NRN:

I read with interest an excellent NRN article, "The Marriage of Wine and Food," which discussed how some of the nation's wine makers are becoming restaurateurs in an effort to educate the public on the pairing of wine and food.

I was pleased to note that the author, Alan Liddle, did look beyond California to other wine-making states for some of his material. I was disappointed, however, that his feature overlooked, unintentionally I am sure, New York, the nation's second-largest wine producer.

— Karyl L. Hammond
director of communications
New York Wine and Grape Foundation
Penn Yan, N.Y.

FINANCIAL NEWS



McDonald's 10,000th unit, located in the Washington, D.C., suburb of Dale City, Va.

McDonald's net income up 14% for 3rd quarter

By Rajan Chaudhry

OAK BROOK, Ill. — Although McDonald's Corp.'s customer counts continue to run below year-ago levels, the strength and quality of the company's earnings are taking observers by surprise.

McDonald's, the world's largest restaurant company, lifted net income 14 percent, to $217.9 million, on a 12-percent gain in revenue, to $1.63 billion, for its third quarter ended Sept. 30. And the company's earnings per share advanced 16 percent, to 59 cents.

According to the company, lower food costs more than offset higher occupancy costs. And the 5.5-percent menu-price hike that analysts blame for McDonald's lower real same-store sales helped widen margins at its company-operated restaurants to 19.3 percent of sales from 18.4 percent a year ago.

"The quality of earnings was much better than I expected," said analyst Leslie Steppel of Prudential Bache Securities, New York. "I wasn't surprised by the sales line — that was pretty much in-line with my expectations — but I wasn't expecting store level margins to expand by 90 basis points."

Nevertheless, Steppel noted she has no plans to change her ratings or estimates for McDonald's. The company took a price increase in the fourth quarter of last year, she explained, which will make comparisons more difficult.

"Had they not been raising menu prices as much as they had, they probably wouldn't have lost domestic traffic to more aggressive competitors, but the tradeoff was that they had stronger margins," she said.

'Surprisingly, earnings were a couple of cents more than I was expecting,' said Roger Lipton.

"I don't think this kind of margin expansion is sustainable," Steppel said.

Steppel advised holding McDonald's shares in the short run and accumulating them for the long haul, she said.

Roger Lipton, a managing director of Ladenburg, Thalmann & Co., New York, also said he was impressed by the quality of McDonald's third-quarter profits, which reflected only a 1-percent increase in non-operating revenues vs. a 94-percent year-over-year increase for the latest nine months.

"Surprisingly, earnings were a couple of cents more than I was expecting," Lipton said. "I've been very aggressively bullish on the stock, so it pleased me quite a bit."

"The encouraging thing was that the operating margins were up," he explained. "It was not just that the earnings were up a penny or two more than expected, but the quality of the earnings was high. There was basically minimal non-operating gains in that number."

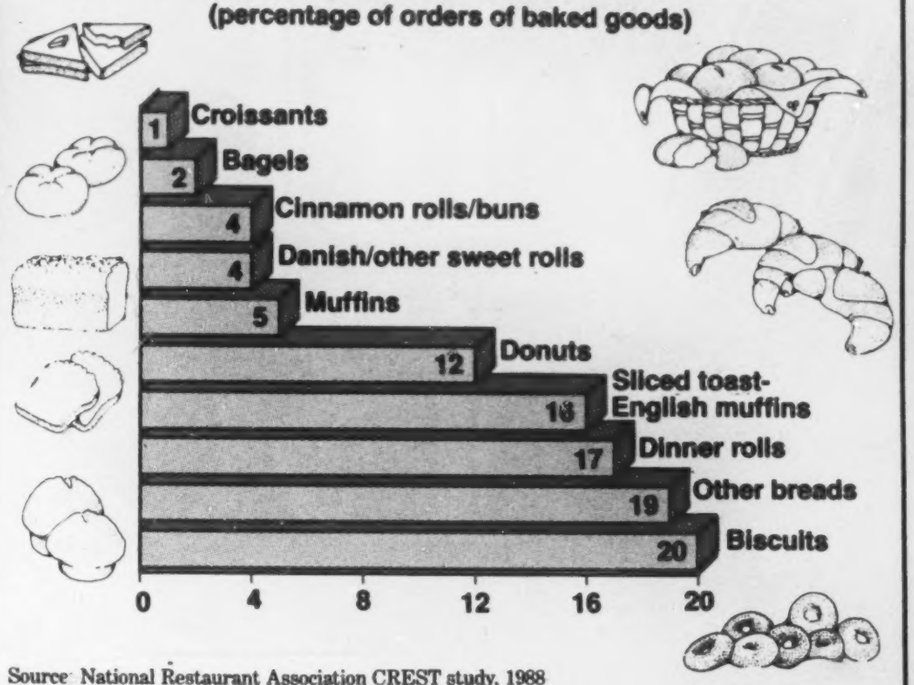
Michael Mueller, who tracks stocks for Montgomery Securities, San Francisco, rated McDonald's "a weak hold." Mueller advised investors to steer clear of traditional fast-food stocks, citing rising occupancy costs, higher margin-eating discounting rates, negative real sales trends and a general oversupply of units.

FACT FILE

A look at the statistics shaping the industry

BISCUITS BEST OTHER BAKERY ITEMS

(percentage of orders of baked goods)



Source: National Restaurant Association CREST study, 1988

NRN FINANCIAL DIGEST

Rally's unit sues takeover group

LOUISVILLE, Ky. — Rally's Inc. said its unit, Ralliana Inc., filed suit in U.S. District Court here against a group of investors — including three of Rally's own directors — who seek to mount a proxy war for control of the company.

The Ralliana suit seeks compensatory and punitive damages and injunctive relief against the group, alleging violations of federal and state securities laws, fraud and breach of fiduciary duties in connection with its attempted takeover and the failure to disclose the plan, which comes on the heels of Rally's initial public offering.

The injunction also seeks to block the group from assuming possession of any Rally's shares purchased since Oct. 12, taking any action to reconstitute the board or soliciting proxies or consents. The takeover group comprises director Burt Sugarman, a Hollywood producer and takeover specialist; directors James E. Trotter III and William E. Trotter II; Giant Group LTD, a cement company controlled by Sugarman; and a group called the Restaurant Investment Partnership.

A filing with the Securities & Exchange Commission indicated that the group holds more than 3 million Rally's common shares, or 45.2 percent of the company's outstanding stock. The group said it has filed with federal antitrust regulators for clearance to buy more than 50 percent of the company's common stock.

Bob Evans to buy back shares

COLUMBUS, Ohio — Bob Evans Farms Inc. said its board authorized the repurchase of up to 500,000 shares of its common stock.

The company, which said it will buy back the shares on the open market or through privately negotiated transactions, plans to hold the stock as treasury shares for stock options and other general corporate purposes.

Bob Evans, whose holdings include more than 200 full-service family restaurants, has about 32.2 million shares outstanding. The buy-back program expires April 27.

J. Higby's sale terms set

RANCHO CORDOVO, Calif. — J. Higby's Inc., which operates a chain of frozen-yogurt stores, said it has approved a definitive agreement to be acquired by a unit of Spinner Corp., a Chino-based candymaker and retailer.

Under the terms of the agreement, Spinner will acquire all of J. Higby's assets in exchange for the assumption of certain liabilities, 1.5 million shares of newly issued series B convertible preferred stock and 600,000 common stock purchase warrants.

The warrants will entitle holders to buy an equal number of Spinner common shares at $3 a share.

The closing of the acquisition still requires approval by Higby's shareholders and is contingent on, among other things, Higby's ability to get commitments from certain creditors to accept less than it owes them.

FOOD PRICE OUTLOOK

Mushroom prices expected to rise

The Food and Drug Administration banned **canned mushrooms** from mainland China, citing unsanitary plant conditions. A representative said Chinese canned mushrooms had been identified as causing a number of cases of food poisoning in this country. Since about two-thirds of all canned mushrooms are imported into the United States, and China recently accounted for about half of that, the ban will cut supplies by about one third of normal. Expect prices to rise sharply.

Dairy production is another area where price hikes are already occurring and will probably increase further. Although milk production is down only slightly from last year's, demand for dairy products is up. Milk for manufacturing is in short supply, and cheese makers are especially hard hit.

At the same time Americans' love affair with the pizza has increased demand for Mozzarella. Some producers are allocating customers, because supplies are short. Evaporated milk is also in short supply, with price increases expected.

Canned salmon prices are trending lower on a large pack. Both pink and red are in good supply . . . **Ham** prices continue to climb, even though U.S. supplies of hogs are even with last year's. Both canned and bagged imported hams are continuing to move up in reaction to domestic price hikes. Winter may see a price reversal as inventories build.

Frozen lima beans, both Fordhook and baby, will be in tight supply, with prices moving up. Limas for drying have been adversely affected by California rains, so those prices will move up, too . . . Expect **frozen cauliflower and broccoli** prices to move up on tight inventories and slowed imports. Damage to packers' facilities on California's Central Coast may further tighten supplies.

— Patt Patterson

C5150-8

Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 23, No. 45 Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year November 13, 1989

001339OC NR
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Rox Sand, right, and Spyro Scocos, in their restaurant.

States crack down on teen job hours

Officials fret: 'They're falling asleep in class'

by Peter Romeo

At a time when restaurateurs are gasping for teen-age labor, a number of states are striving to curtail the number of hours that high schoolers may work.

Tougher scheduling restrictions stand "a very good chance" of passing soon in Minnesota, according to Arnold Hewes, executive director of the Minnesota Restaurant Association. Bills curbing teen-agers' hours have also been introduced in the Legislatures of New York, North Carolina and New Hampshire.

In Indiana industry officials are scheduled to meet Nov. 14 with proponents of a bill that would set the hour to which 17-year-olds may work on nights preceding school days. Currently, there is no limit. "We're hoping to reach some kind of compromise," said Ron Roberts, director of membership services for the Indiana Restaurant Association.

The various measures all seek to prevent high-school students from working past 10 p.m. or 11 p.m. on school nights. Several also cap the overall number of hours the teens can work per week during the school year. For instance, a bill endorsed by New York Gov. Mario Cuomo would set a weekly cap of 28 hours and a nightly limit of four hours.

Minnesota — 16- and 17-year-olds would be barred from working past 11 p.m. on school nights.
New York — teens to be limited to 28 hours per week.
North Carolina — One proposal would limit teens to 20 hours per week.
Indiana — 17-year-olds would be barred from working past a certain hour on school nights; proponents have mentioned a 10 p.m. and an 11 p.m. limit.
Source: NRN

"Right now in New York, a 17-year-old high-school senior with a full class load can work 48 hours a week, any time from 6 a.m. to midnight," said Kathleen M. Do, director of public affairs for the New York State Department of Labor. "These young people are working more and more hours, and they're falling asleep in class."

(See STATES, page 201)

Upscale RoxSand rolls home delivery

by Tracey Taylor Woodard

PHOENIX, Ariz. — RoxSand Trans-continental Cuisine, a restaurant whose menu has always reflected different parts of the world, will now seek to serve different parts of Phoenix with the introduction of home and office delivery.

The restaurant, which is celebrating its first anniversary in the Phoenix location, hopes to see $100,000 in first-year delivery revenues.

"We believe there is a definite market for RoxSand in delivery," Rox Sand Scocos, chef-owner, said. "For the same price as

(See ROXSAND, page 201)

Operators assess bottom line in face of minimum-wage hike

by Peter Romeo

WASHINGTON — As President Bush prepares to sign the new minimum wage into law, food-service operators are frantically grabbing their payrolls and calculators to determine how much damage will be done to their bottom lines.

The assessments vary widely, with some number crunchers predicting doom even as others breathe a sigh of relief. Most seem to agree that the hike will indeed crimp profit margins but not so severely as many had feared. Congress, they point out, has attempted to implement a much higher hourly rate than the $4.25 it has now endorsed.

"The wage rate increase is significantly less than earlier proposals and represents a clear victory for the industry," the National Restaurant Association said in a prepared statement. But the association also voiced displeasure over President Bush's agreement

(See MINIMUM WAGE, page 199)

Pizza Hut franchisees fund contract battle

by Milford Prewitt

ST. LOUIS — Bracing for a fight over their contracts — set to expire in 1996 — Pizza Hut's licensees plan to raise more than $3 million for legal advice and potential court costs.

In an action that reveals deep frustration over the tone of company contract proposals, franchisees representing 2,300 Pizza Hut outlets met and voted 2,290 to zero to raise the money at a rate of $1,000 per store. Negotiations for a new contract began in March at the request of the franchisees.

Neither Pepsico nor Pizza Hut Inc. responded directly to the

(See PIZZA HUT, page 201)

INSIDE

Discounting craze
Charles Bernstein/Page 49

Hotel show preview
Focus/Page 71

Garbage crisis
Special report/Page 97

NRN unveils new look

With this week's issue, Nation's Restaurant News unveils a contemporary new design with bolder graphics and an easier-to-read format.

This redesign represents one of the biggest changes in Nation's Restaurant News since converting from a biweekly to a weekly five years ago.

The new format also signifies the evolution of NRN over the last few years to cover the entire industry, now summarized in our slogan: "The newsweekly of the food-service industry."

The page size is a little smaller, making it easier to handle for busy readers.

The headlines, in Helvetica Compressed, are bolder for greater emphasis.

Features and sections are more clearly marked so that readers can easily find what they are seeking.

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 23, No. 46 November 13, 1989

NEWS BRIEFS

Section 89 set for repeal

WASHINGTON — Congress has cleared the way for a repeal of Section 89, a controversial tax law, by tacking a proposal to kill the measure onto a bill that sets the government's borrowing limits.

Another provision set to be added to the same bill would extend the Targeted Jobs Tax Credit — which gives employers a tax break for hiring disabled and economically disadvantaged workers — for another year.

Because the federal government would cease functioning if the so-called debt-ceiling bill is not passed, repeal of Section 89 and extension of the TJTC are viewed as virtual certainties.

Section 89 required employers to prove with bushels of paperwork that they did not discriminate when awarding employee benefits.

Compliance proved so cumbersome that Congress refused to provide the funds that were needed to enforce the law.

Domino's Pizza lays off 100

ANN ARBOR, Mich. — In cost-cutting moves designed to enhance the company's attractiveness to buyers, Domino's Pizza said it has laid off 100 employees from its headquarters and 13 regional offices, and that it would scale back some health and job benefits.

Employees will be required to share the cost of some health-care benefits now borne totally by the company. Company executives could not state how much more employees will be asked to bear.

The move to reduce the company's cost of job benefits comes two months after company founder, chairman and sole stockholder Tom Monaghan announced that he is contemplating the possibility of selling Domino's, the second-largest pizza chain.

The company said it had decided as far back as 1987 to reduce its health-care expenses but had done little to accelerate that effort until Monaghan's announcement.

Investment group ups Rally's stake

LOUISVILLE, Ky. — A stockholders' group seeking control of Rally's Inc. has raised its stake in the fast-food operator and asked fellow shareholders to support an effort to reshuffle Rally's board of directors.

The group — led by dissident directors Burt Sugarman, James Trotter II and William Trotter II — has prepared forms that would grant consent for the replacement of three other members of Rally's nine-person board. If successful, the effort would put six seats under Sugarman's control.

In addition, the Sugarman-led group has raised its Rally's stake to 46.4 percent, from 45.2 percent, of the total shares outstanding.

Rally's management has attempted to fend off Sugarman and his allies by redeeming a shareholders' rights plan.

However, the company indicated that it has met with representatives of Sugarman's group "in an effort to resolve certain disputes with the company."

Licensees agree on cross-chain deals

ST. LOUIS — The first-time-ever meeting between the franchisee leadership of Kentucky Fried Chicken, Taco Bell and Pizza Hut — Pepsico's three restaurant chains — has yielded a number of cross-chain business ventures.

Perhaps the most surprising was a plan by some Pizza Hut franchisees to begin buying from the KFC National Purchasing Cooperative as an experiment to get a lower price for goods delivered to the store. The action comes after some company-operated KFC stores transferred 360 units out of the KFC buying co-op to the Pepsico Food System, an action described as a test.

The three chains' franchisees said they also intend to explore the creation of buying cooperatives for hospitalization, casualty and liability insurance.

Presidents of the respective franchisee associations expressed enthusiasm about the meeting and said the groups have agreed to meet in 90 days in order to develop some of their plan more concretely.

NY Le Peep adds dinner

GREAT NECK, N.Y. — A unit here of Le Peep has broken with the ailing chain's tradition by adding dinner service. The restaurant has also changed its name to Le Peep Grill.

In an unrelated development, the Denver-based chain has acquired two units from Peeple Foods, a Chicago franchisee, for an undisclosed amount.

Le Peep was conceived as a breakfast-and-lunch place, with a menu featuring a wide array of egg-based items. The system's franchisor reported a net loss of $5.6 million for 1988 and a loss of $3.7 million for the prior year.

Fast Track to add 59¢ hamburgers

BATON ROUGE, La. — Fast Track USA, a major player in the rapidly expanding drive-thru-only segment, said it plans to introduce a 59-cent burger.

The 4-year-old company, which owns and franchises 25 stores in Louisiana and Florida, is one of the few drive-thru specialists to offer breakfast as well as burgers. The chain also sells a 300-calorie turkey sandwich.

"Fifty-nine cents is a major number in this business," said Fast Track chief executive Mitch Richardson. "Taco Bell has proven that."

Agency cautions Canadian tax may hike inflation

OTTAWA — A quasi-government agency has warned that the controversial goods-and-services tax, the nation's first direct national sales tax, would jolt Canada's economy by fostering an "inflationary bubble" in 1991.

The report lends credence to restaurateurs claims' that the sales tax would dampen sales and squeeze profit margins by instantly raising restaurant prices by 9 percent. Grocery products are exempt from the sales tax, which is scheduled to go into effect in 1991. The Canadian food-service industry is attempting to expand the exemption to include foods sold by restaurants.

The Economic Council of Canada, a government-funded body, predicted that the goods-and-services tax would hoist the nation's inflation rate to 7 percent in 1991. However, the agency said, the rate of increase would subsequently abate to pretax levels.

Pact with Japan could boost food-service sales

WASHINGTON — An agreement between the United States and Japan to bolster tourism by increasing air traffic between the two countries could bring the hospitality and food-service industry billions of dollars in revenues in the near future.

In what is being hailed as one of the farthest-reaching travel pacts between the two countries in 40 years, air traffic between Japan and the United States will increase by 50 percent.

The agreement will allow U.S. airlines to offer new non-stop service from six American cities to Japan. In return, Japanese airlines will be permitted to offer new direct combination service to three U.S. cities from Tokyo.

Additionally, the Japanese will be permitted to operate flights to three other American cities from airports other than those in Tokyo and Osaka.

San Francisco, Denver, Chicago, Honolulu and scores of other American cities are competing for the Japanese traffic.

San Diego sets truth-in-menu inspections

SAN DIEGO — The county Environmental Health Division has disclosed plans to begin inspecting restaurants' menus to verify that bills of fare accurately describe what the places serve.

For instance, the agency indicated, inspectors will check to see if the crabmeat salad listed on the menu is indeed prepared with crabmeat rather than with surimi. The effort is intended to nab operations that mislead patrons by using ingredients that are inferior to the products listed on menus.

The unannounced inspections will be conducted quarterly, the agency told The San Diego Union, a local newspaper.

NRN MUFSO date set for LA

LOS ANGELES — Nation's Restaurant News has set the date of the 31st annual Multi-Unit Food Service Operators (MUFSO) leadership conference at the Century Plaza Hotel, Los Angeles.

The meeting will be held from Sunday, Sept. 30, to Wednesday, Oct. 3, 1990.

MUFSO was previously hosted by the Century Plaza in 1983 and 1987. This year's MUFSO was at the New Orleans Hilton, Sept. 10-13.

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Publisher also of Discount Store News, National Home Center News, Drug Store News, Accounting Today, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

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NEWS

Chef Szathmary urges creation of journeyman training program

by Rick Telberg

ST. AUGUSTINE, Fla. — Chef Louis Szathmary, whose efforts in the 1970s helped create a system of professional apprenticeships for chefs, is calling on chefs again to establish the next level of professional training — a formal journeyman program.

Szathmary, famed as the owner of the now-closed Bakery restaurant in Chicago, said it is time the hospitality industry, rather than reviling the initial job hopping that new culinary graduates must engage in to complete their educations, recognize and support it.

"It is not irresponsible," Szathmary said. "That is exactly what the young man or woman must do before becoming a master chef."

The challenge came at an awards ceremony for Szathmary himself and two former executives of the L.J. Minor Corp., who were being recognized by the American Culinary Federation here for their efforts in raising the status of chefs in America.

Louis J. Minor, founder of the maker of flavor bases, and John D. McLaughlin, former president of the company, received the first Chef Professionalism Awards with Szathmary for their efforts, more than a decade ago, in convincing the U.S. Labor Department to officially redefine chefs as professionals instead of domestic servants.

It was a Szathmary speech to an ACF convention in 1977 that galvanized the chefs' group, now 18,000 strong, to fight the appellation.

In opening his 1977 talk Szathmary had said, "Welcome, fellow domestics."

The crusade was picked up by Louis J. Minor, who provided funding for the project and enlisted McLaughlin, then a newly retired lieutenant general from the Army, to navigate the tricky bureaucratic waters of Washington, D.C.

The key to the Labor Department's change came in January 1979 as a result of the ACF's creation of an approved apprenticeship program, which is still going strong today.

So Szathmary's call for a journeyman's program came at a seemingly poignant moment when the ACF's apprenticeship effort has been established.

He suggested that new graduates be run through an externshiplike program, hopping from one establishment to another every four to six months and all the while earning credits toward an ACF certificate.

Authorities examine origin of regional cuisines

by Carolyn Walkup

CHICAGO — The nation's best-known food authorities gathered here to feast as well as to ponder the origins of the foods they eat, their evolution to today's status of gastronomy as an art and the health risks of consuming certain products.

The American Institute of Wine & Food's seventh international conference on gastronomy also celebrated the foods and the professional culinary talents of the Midwest at tastings and meals. First-day seminars explored ethnic and historical influences on Midwest foods and beverages.

"Eating is really a communal matter," Jeff Smith, host of "The Frugal Gourmet" on PBS television, noted in his lively introductory talk. "The table is the oldest form of communication." People who grew up eating TV dinners silently in front of the television now insist that the whole family eat together in the dining room, he said.

Smith pointed out that among the Midwest's culinary inventions are the deep-dish pizza, the chicken pot pie and the first full frozen meal. Recalling his first taste of a new product after World War II, Spam, which his mother served his family, he quipped, "I thought we'd lost the war."

He also cautioned that Americans have lost control over the foods they eat, and that big business has taken control.

Meryle Evans, food historian and editor of "The American Heritage Cookbook" and other works, noted in her presentation, "The Imperfect Melting Pot," that taverns and cafes were an important way for European immigrants to preserve their traditions when they arrived in the Midwest. "Food is a symbol of our continuity with our past," she explained.

Today many of the dishes brought here from the Old World are being revived in ethnic food festivals, such as an annual one in Milwaukee featuring some 40 cuisines, and at various celebrations at ethnic museums and churches, Evans said.

An attendee expressed concern that Americans are destined to lose their ethnic traditions as older generations die. But another attendee, restaurant reviewer and retired college professor Stuart Silverman, said traditions will not die because the third generation of most ethnic groups to live in the United States generally revives them after the second generation puts them aside in an effort to assimilate.

"We are going through a big phase of nostalgia," Silverman said.

The opening night celebrity-chef-studded tasting-reception featured artfully decorated tables of foods from some 25 restaurants from the Midwest.

Bistro niche heats up with Tuohy's new Chefs' Grill

(Continued from page 3)

"I'll have to battle another image problem — this time the stigma of the arts center cafeteria," added Tuohy, whose 4,600-square-foot Chefs' Grill takes the space occupied by Pentimento, a before-and-after concert spot specializing in buffet and heat-and-serve à la carte, in the Woodruff Arts Center complex.

Aiming to become a destination for the area, a place where the concierges send guests, Tuohy will serve California, Italian and Spanish wines with his thin-crusted pizzas and other light fare, made from herb-infused oils, salsas, chutneys, relishes and vinaigrettes.

"I'll close on Monday but serve a five-day lunch, a six-day dinner and a Sunday brunch," Tuohy said.

In a market where the tablecloth segment is being redefined with a casual flair, Tuohy has the momentum of a new dining form in his favor. The question is: Do symphonygoers — expected to become a large part of weekend traffic — own a part of that mentality?

Tuohy will have to wait a few weeks to find out. In any event, lunch may far surpass his dreams if one takes into account the explosion of office growth in the area where Chefs' Grill is destined.

"Lunch there is a big opportunity," agreed Tuohy, whose restaurant will be only a block from The Country Place, one of Peasant Restaurants' biggest-grossing operations. Also in the neighborhood is Cafe Petrus, the new dining side of Limelight founder Peter Gatien's $4 million Petrus, a club that opened in June.

Tuohy — who is changing the actual physical structure of the Woodruff Arts Center building to open Chefs' Grill — cutting the northeastern wall to create a greenhouse dining area — will use his Chefs' Cafe mailing list to draw business early on.

> Tuohy has the momentum of a new dining form in his favor.

Anticipating check averages of $9-$10 for lunch and $20-$22 at dinner, he will install Justin Ward — a one and one-half year veteran at Chefs' Cafe — as executive chef, supported by two sous chefs.

Meanwhile, Alex LaBorwit will take over as executive chef at Chefs' Cafe, with support from a sous chef and a first cook. Tuohy does not confirm reports that Chefs' Cafe may discontinue lunch service after Chefs' Grill opens.

CORRECTIONS

An advertising supplement, titled "Franchising," between pages 74 and 75, Oct. 30, failed to be labeled, in accordance with NRN policy, that it was advertising material. In fact, the NRN editorial department neither produced nor reviewed the material before publication.

An article in the supplement, "What will the FTC do?" has been disputed by the International Franchise Association as unbalanced and incorrect.

The article appeared to suggest, the IFA says, that the IFA opposes a Federal Trade Commission attempt to limit franchisors' ability to oust undesirable franchisees.

The IFA has responded that, although the IFA does, indeed, oppose the proposal, the FTC is not considering it. Instead, the IFA's opposition is aimed at the North American Securities Administrators Association, which made the proposal, the IFA says.

The IFA also says the FTC has begun a separate rule-making procedure aimed at standardizing franchise laws across the nation, which the IFA, in fact, supports.

* * *

"NCS loses $7.4 million," Oct. 30, page 12, and "Stop N Go Upscales take-out food selection," Nov. 6, page 3, misstated the financial results for National Convenience Stores, operator of the Stop N Go convenience-store chain.

Net income for the quarter ended Sept. 30 was $7.4 million, compared with a year-ago profit of $1.4 million. Operating income for the most recent quarter was $3.8 million.

FINANCIAL NEWS

Wendy's sales, profits stuck in neutral in third quarter

by Rick Van Warner

DUBLIN, Ohio — Wendy's International's profits and sales remained flat during the third quarter despite higher customer counts and heightened advertising awareness from the 3,754-unit hamburger chain's campaign featuring founder David Thomas.

For the three months ended Oct. 1, Wendy's net income rose less than one-half percent, to $8.7 million. Revenues dipped 2 percent, to $269.2 million, while chainwide sales rose a modest 4 percent, to $787 million.

Explaining the revenue decline, Wendy's noted that it operated 46 fewer company stores than it did in last year's quarter. Most of the units were sold to franchisees, it said.

"I think they've bottomed out, but it becomes a question of how long the hockey stick is, how far they can go bumping along the bottom," said analyst Steven Rockwell of Alex. Brown & Sons, a Baltimore-based firm. "Couponing came down a bit, which was good. We'll have to wait to see how the value menu performs."

The jury is still out on the new Super Value Menu, which was introduced to company restaurants during the quarter. The menu, a collection of seven or nine menu items priced at 99 cents each, increased both customer counts and profitability during testing, Rockwell noted.

Designed to foster a value perception among Wendy's customers, the new 99-cent menu offers somewhat smaller versions of sandwich offerings and larger versions of other items, such as french fries. An early big seller on the 99-cent menu is a junior bacon cheeseburger, a burger with cheese, two strips of bacon, lettuce, tomato and mayonnaise, Wendy's said.

Through the first three quarters, Wendy's has steadily decreased couponing as a percent of gross sales, Rockwell said, to just 1.8 percent in the latest quarter, from 3.3 percent in the second quarter and 6 percent in the first quarter.

Wendy's chief executive, James Near, said customer transactions were up 3 percent during the third quarter from the figure for the year-ago period.

"New customers are coming in, and we're confident our quality will keep them coming back," he said.

Meanwhile, consumer awareness of Wendy's advertising has reached its highest level in four years, Near said. Surveys show that nearly 75 percent of respondents recall the commercials featuring Wendy's founder Thomas, Near said.

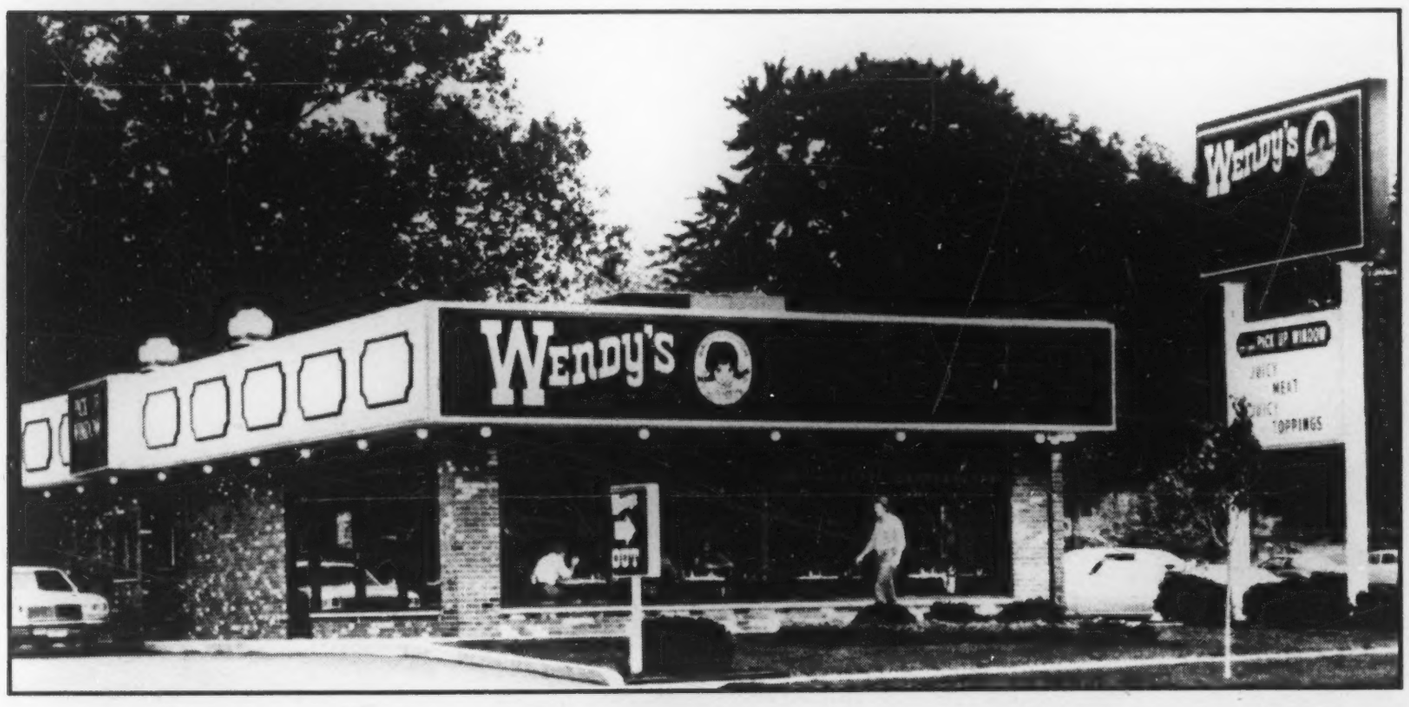
"Our advertising awareness has doubled since Dave has been in the commercials," Near said.

Near also said the company will resume expansion and "plans to break ground on at least 100 new restaurants systemwide in 1990."

For the nine months ended Oct. 1, Wendy's net income rose 13 percent, to $24.6 million, on a 1- percent increase in revenues, to $808.6 million.

Systemwide sales through the first three quarters climbed 5 percent, to $2.3 billion.

The year-to-date results include an accounting change in the year-ago first quarter, which had a cumulative one-time effect of increasing net income by $5.2 million.



A Wendy's Old Fashioned Hamburger restaurant.

FOOD PRICE OUTLOOK

Frozen orange juice concentrate prices drop

by Patt Patterson

Florida packers have announced price reductions for private-label frozen orange juice concentrate even though that state's production is down from last year's. Plentiful and less expensive Brazilian concentrate has made the difference. Price reductions are running about 10 percent so far.

Catfish prices are trending down, with producers sending more than 15 percent more to processors than they did last year.

U.S. shrimp production is up from last year's level but still below normal. However, imports are making up the difference. Smaller shrimp prices are strong; larger sizes, a bit weaker.

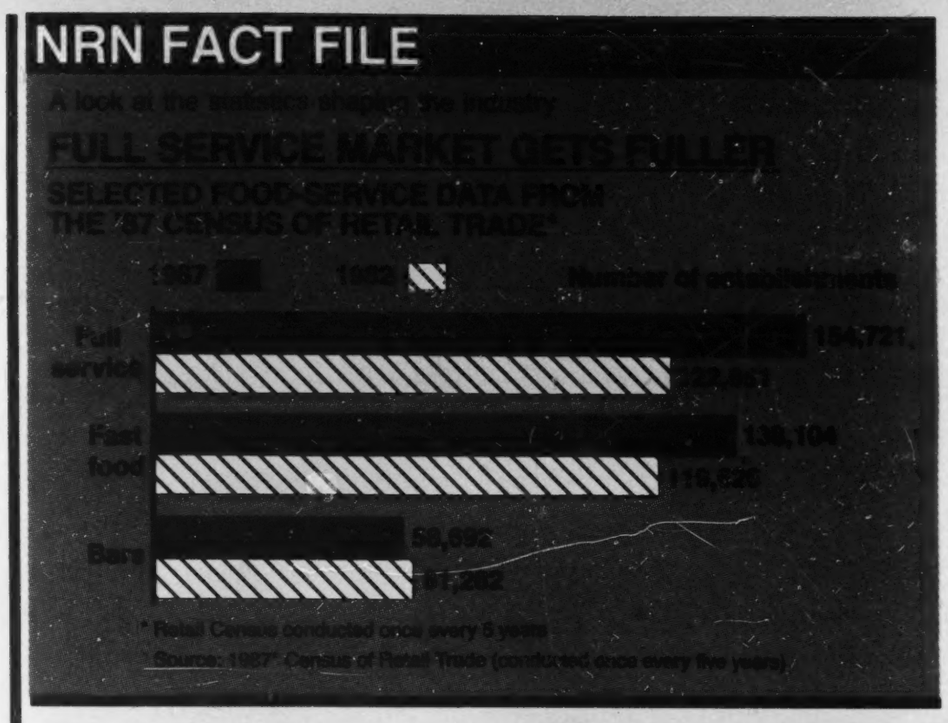
Domestic cheese prices are near record highs, and further increases are expected. Pizza chains are finding Mozzarella prices up and supplies already being allocated by some manufacturers. It is possible that some makers of American cheese may start allocating shipments.

The U.S. Department of Agriculture said poorer-quality feeding conditions has dropped yields from 10 pounds of cheese per 100 pounds of milk to only nine per 100. Demand has increased, and not only from commercial restaurants. With no free cheese distribution to schools, buying pressure is heavy from that sector.

The fisheries industry is encouraging the House Agriculture Committee to transfer seafood inspection from the National Marine Fisheries Service to the U.S. Department of Agriculture.

Lee Weddig, head of the National Fisheries Institute, told the committee that the USDA, although inexperienced in seafood, has been involved in large-scale food inspection operations in the field and has widespread overseas capabilities. That could mean better, more reliable standards for buyers, although it would probably imply increased costs for inspected seafood.

NRN FACT FILE



FINANCIAL DIGEST

Gain from restaurant sale gives Perkins 32% boost in profits

MEMPHIS, Tenn. — A onetime capital gain received from the sale of eight restaurants to an existing franchisee helped Perkins Family Restaurants post a 32-percent hike in profits, to $4.6 million, for the third quarter ending Sept. 30.

The 350-unit restaurant chain based here said third-quarter revenues hit $45 million, a 14-percent increase from the year-ago figure.

However, the company said that the gain from the sale of the eight units was partially offset by operation costs incurred in the conversion of nine restaurants in Orlando, Fla., to the Perkins concept.

Ciatti's two new units help boost profits 166%

MINNEAPOLIS — Ciatti's Inc. said first-quarter profits jumped 166 percent, to $214,000.

Revenues for the quarter, ended Oct. 1, rose 57 percent, to $3.8 million. The figures mark the Italian-themed dinner house's fifth consecutive quarter of increased profits.

Sales figures for the five original Ciatti's units were up 7.2 percent over last year's results, while the newly opened units in Eden Prairie and Burnsville, Minn., accounted for the remaining sales increases.

Shoney's to report write-off from debt restructuring

NASHVILLE, Tenn. — Shoney's Inc. said it would report a $2.5 million write-off in its fourth quarter, resulting from a restructuring of debt incurred in its $728 million recapitalization last year.

The company said it would report the write-off as an extraordinary item in its 1989 operating results.

In a deal with the leading bank in its lending syndicate, Shoney's restructured $160 million of its $410 million in outstanding debt from the recapitalization. The chain has already paid back $175 million of the $585 million it borrowed for the recapitalization.

By reducing the effective interest rate on the remaining debt, the restructuring should save the company about $4 million in interest expense next year, Shoney's said.

Ryan's 3rd quarter net jumps 15 percent

GREENVILLE, S.C. — Ryan's Family Steak Houses Inc. said third-quarter profits soared 15 percent, to $5.8 million, on a 22-percent leap in revenues, to $63 million.

For the nine months ended Sept. 27, year-to-year net earnings were up 10 percent, to $16.1 million. Revenues for the nine-month period rose 23 percent, to $178.6 million.

Ryan's owns and operates 107 budget steak houses and franchises 30 units.

Two Pesos loses $653K in second quarter

HOUSTON — Two Pesos Inc. said it lost $653,000 for its second quarter ended Sept. 30, compared with net earnings of $52,000 in the year-ago period.

Year-to-year revenues for the period dipped 5 percent, to $11.1 million. The loss includes a provision of $660,000 for the disposition of certain assets from two Oklahoma City stores closed during the quarter.

For the six-month period, Two Pesos lost $791,000, compared with a $723,000 loss in the year-ago period, on a 2-percent drop in revenues, to $21.8 million.

DUMPING COSTS ON THE RISE
(Average Regional Tipping Fees*)

	1987	1988
Northeast	$39.23	$45.48
Midwest	12.71	17.95
South	12.27	15.87
West	10.75	13.06

*Tipping fees are the fees landfill owners, usually municipalities, charge commercial haulers to enter and dump.

Source: Waste Management magazine

Industry scrambles to block flurry of new rules

by Peter Romeo

In a frantic search for ways of easing the nation's garbage glut, lawmakers are burying food-service operators under a mountain of legislative proposals.

Spawned by a dire shortage of landfill space, the bills attempt to curtail the nation's garbage output through measures ranging from recycling incentives to outright bans of single-use food containers.

"There are probably some 800 pieces of legislation on the packaging issue right now," said John Merritt, vice president of government and public relations for the Hardee's burger chain, "and there are probably 50 more that we don't even know about."

"If there's any issue that was addressed the most this year, it's solid waste," observed Colette Coleman, director of state relations and grass-roots development at the National Restaurant Association.

"They want to push the restaurant industry to get up and do something about solid waste," said T.J. Williams, who, as executive director of the North Carolina Restaurant Association, fought against 20 state solid-waste proposals in 1989. "This is really forcing us to do it."

Despite the association's lobbying efforts, the state passed a measure that will force restaurants to re-examine the packages they use. Beginning in 1993, "polystyrene containers will have to be recycled at a 25-percent rate, or they will be banned," Williams said. "We are not going to be able to meet that target."

But, he continued, "we could have gotten much worse. We were able to take out of the law what is called an ADF — an advance disposal fee — that would have put a penny charge on every package we use."

More stringent yet are polystyrene container bans already enacted in Minneapolis; Berkeley, Calif.; and Portland, Ore. Similar bans are poised to go into effect in Suffolk County, N.Y., and Florida, which has more restaurants than does any other state except California and Texas.

Thus far in 1989, 14 state legislatures have considered the taxation of non-biodegradable packaging materials, according to the NRA. Six proposals have been defeated, but the other eight remain in limbo, the association indicated.

Packaging-oriented measures constitute only a portion of solid-waste proposals pouring out of legislatures throughout the land. Dozens of others — if not hundreds — are intended to foster recycling. Beginning Jan. 1, 1991, restaurateurs in Connecticut will in effect be forced to recycle all glass and metallic containers; landfills and incinerators will no longer accept those materials.

To facilitate recycling, operators in the District of Columbia will be required to sort their garbage beginning Oct. 1.

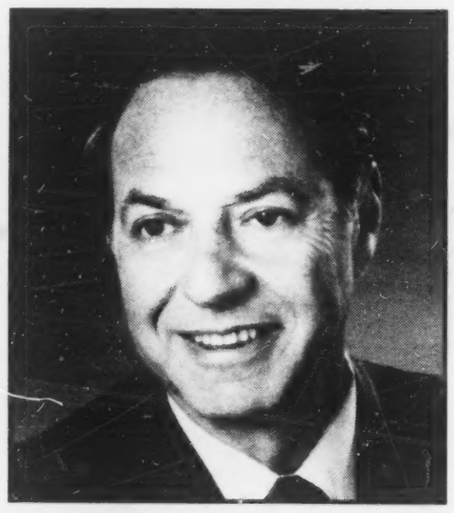
"There are a lot of things introduced at the state legislatures, but there are even more things at the local level that you never even hear about," said the NRA's Coleman.

And the legislative mills continue to whir and churn.

"In Massachusetts they're just about to put on the ballot what is probably the nation's most stringent proposal concerning recyclable packaging," said Gene Karpinski, executive director of the U.S. Public Interest Research Group, a prominent pro-recycling group.

Representatives of MassPIRG, a local affiliate, are gathering petitions for a 1990 referendum vote on the initiative, which would ban all containers that are not "environmentally acceptable." Fast-food operators and take-out shops would be required to serve foods in reusable packages made with recycled materials. Violators would be fined $1,000 for each piece of packaging that would not conform to the standards.

"Clearly it's ambitious and aggressive, but we feel it's the direction in which we should be heading," said Amy Perry, MassPIRG's director of recycling initiatives. "It allows for a five-year phase-in, and there's no question that the public wants environmentally sound packaging."



Harris Rusitzky

> "I'm encouraging our industry to be on the forefront of solving the problem."

"The problem is that consumers don't always have the facts," countered Nancy Sherman of the Foodservice & Packaging Institute, a trade group representing packaging manufacturers. "The consumer is unaware of what the impact would be. It would literally take every grocery package off the shelf."

"Whenever there's a proposal like this, there's resistance and all kinds of dire warnings about what will happen," Perry said. "Look at aerosol cans a few years ago, when people wanted to discourage their use because of damage to the ozone layer. Industry resisted. But today we have pumps, and it's no big deal any more."

"We would like to see the states take a more comprehensive approach," instead of banning or taxing containers, Sherman said. "Waste-to-energy" — the use of trash as fuel to generate electricity and heat — "should also be part of the approach. And it should take into account that landfills will always be with us."

"Usually the first thing you see is an outright ban," said Linda Way, a legislative analyst for the NRA. "That percolates into a more comprehensive approach. Some of that is starting now as more business organizations see what's going on and get involved."

The NRA is striving to avert adverse legislation by encouraging members to address the solid-waste problem before it merits hard-line action.

"I'm encouraging our industry to be on the forefront of solving the problem — to take the lead in helping their community," said Harris Rusitzky, president of the NRA. "And we're seeing many of them do it."

"For instance," he continued, "tree trimmings are a big part of what goes into landfills. Some operators with large, landscaped parking lots are saying, 'Bring us the tree trimmings. We'll chop them into wood chips and use them on our gardens.'"

Rusitzky, a contract feeder based outside Rochester, N.Y., has selected the solid-waste issue as a major focus of his one-year presidency, which expires in May. He has been criss-crossing the country in an effort to rouse operators into action before they are saddled with unwanted legislation.

"Local legislators are making decisions not on the basis of fact, but on the basis of emotions," he said. "For instance, there are bans on plastic boxes and cups, even though they account for very little of what's in landfills. And a ban is not the way to go. We saw that with alcohol."

Yet all observers agreed that the legislative onslaught will continue.

"We're going to see a lot of it — everything from packaging taxes to requirements that packages be made of recyclable materials," Sherman said. "There might be some outright bans."

"People have been kicking clamshells" — the fast-food boxes that have become a highly visible component of litter — "and then there's the whole problem of where we're going to put our garbage," Coleman said. "We're running out of landfill."

The number of dump sites has dwindled by 66 percent, from 18,000 in the late 1970s to roughly 6,000 today, according to the Environmental Protection Agency.

And Americans continue to generate a greater amount of trash every year. The volume of municipal solid waste increased by 60 percent between 1960 and 1986, to 157.7 million tons, according to an NRA study. "Unless changes occur, the amount of waste will increase by 25 percent, to nearly 193 million tons annually by the turn of

(See GARBAGE, page 100)

SPECIAL REPORT: THE GARBAGE CRISIS

McD recycling program works against landfill dumping

(Continued from page 112)
to-energy incineration, source reduction and landfilling when the previous options don't work.

"We know that there is no single answer to the solid-waste crisis in this country," Harrington said. "As a general statement, we will say that restaurants should be involved in recycling, but recycling alone is not the answer nor is it a universally applicable approach."

Harrington said one problem with recycling is that there is not always a readily available market for products that have been made from recycled trash.

Keough, the EPA official, applauded McDonald's attempt to stimulate customer participation in the waste crisis problem, and he said he hopes it sends a signal to other large corporations.

"The beautiful thing about this plan is its dual purpose: It will reduce the amount of landfill dumping, and it makes the customer share in the responsibility of doing something to help the environment. I hope this sends a message to other large-volume businesses with large volumes of trash."

As Denison, the environmental scientist, applauded McDonald's effort, he challenged the company to broaden its program beyond polystyrene to paper and food waste and to consider a systemwide effort.

"It's a positive step, and we're very happy to see it not jump on the bandwagon for biodegradable plastics," Denison said. "But this effort represents only 5 percent of its stores, and it's only involving trash the customers throw away in the store, not the take-out market, and that is a considerable amount.

"If it looked comprehensively at its contribution to the solid-waste problem, it would find it could do a lot more to promote recycling among its customers and in particularly as it relates to recycling paper products. After all, it feeds 20 million people a day — a tenth of this country's population."

But Armando Ojeda, a spokesman for McDonald's, said the program has the possibility of being instituted systemwide. However, Ojeda said, McDonald's is hamstrung by the sparse number of recyclers in the plastic business.

"As you know, the plastic recycling industry is very immature right now," Ojeda said. "We're committed to the concept of recycling wherever there are facilities to meet our needs."

Ojeda pointed out that McDonald's has taken a number of steps in the recent past to reduce the amount of trash its units generate. Among them have been using thinner packages, recycling corrugated cardboard, using tanker trucks to supply syrup rather than cardboard containers and conducting customer separation tests in Oregon, California, New York and New Jersey.

Plastics recycling: A process just getting started

by Milford Prewitt

Plastic and polystyrene recycling is an industry in its infancy, and it's looking to food service as one source of sustenance.

Unlike glass, aluminum, paper and cardboard, which restaurateurs have been recycling with fervor for the past several years — particularly along the East Coast — few operators are contributing to the plastic recycling effort.

"I don't think this is a fault of the food-service industry necessarily," said an executive for an Ocean City, Md.-based recycling company. "After all, this is an industry that I guess you could say is still up and coming and like any up-and-coming industry, we have to learn how to market ourselves."

The Maryland recycling company and others of its ilk are almost indistinguishable from a typical trash hauler. The company makes long-term contracts with customers for periodic pickup of aluminum, plastic, polystyrene and glass and even provides the separate and appropriate bins for each recyclable material.

But where they differ from traditional trash haulers, the difference is stark. In many cases the carters *pay* the restaurant for the recycled material. The recyclers make their money selling the refuse to recycling centers that make other products from it.

Few recycling centers, however, encompass the scope and self-sufficiency of Plastics Again of Leominster, Mass., formed a year ago by a consortium of seven major plastic and polystyrene manufacturers and now playing a pivotal role in McDonald's plans to recycle plastic from its Northeastern outlets.

"We're really going after the schools the most," said Tom Tomaszek, a plant manager for Plastics Again. "If we could make an impression on students, we might make an impression that would last a lifetime."

Plastic recycling has received mixed reviews from environmental groups.

Some activist groups favor the complete elimination of plastics from the environment on one extreme while other environmental activists favor degradable plastic as a point of compromise.

Whatever the solution, environmental groups are unified in their opposition to dumping plastics in landfills.

"Recycling as it is being done in the restaurant industry is a step in the right direction," said Paul Underhill, a spokesman for the National Audubon Society, "but it has to be expanded.

"It's just too local right now, and it really requires a national effort. People in the restaurant industry need to encourage their suppliers to use biodegradable plastics in their containers."

Although the non-degradability of plastic and polystyrene has long been cited by activists as an environmental hazard, mounting scientific research is raising the possibility that so-called degradable products do not decompose any faster.

The 10-year landfill study conducted by scientists at the University of Cincinnati disclosed that vegetables, newspaper and clothing — all natural products thought to decompose — degrade much slower than had been assumed. In fact, the study, presented during the Degradable Plastics and the Environment Symposium in Chicago last August, found 10-year-old newspapers that were still readable and carrots whose cores, when split open, were still orange.

Additionally, during the 10 years the dump was studied, the volume of trash was reduced through decomposition by only 5 percent.

"You see, many of the things that we may think of as being very readily biodegradable are not rapidly biodegraded in the sanitary landfill," said Riley Kinman, an environmental engineer who conducted the study. "Now they are under degradation, but it's a very slow process and it's a complex function of many variables."

One of the factors contributing to the slow decomposition of natural products like paper and clothing is the lack of oxygen at landfills. As trash is piled on top of more trash, products decompose more slowly, since the oxygen is cut off.

Landfill managers attempt to speed up the decay process by repositioning mountains of garbage with bulldozers or cranes. But scientists insist that repositioning trash is a poor way to speed decomposition.

The U.S. Environmental Protection Agency also has reservations about degradable plastics.

Paul Keough, the acting regional administrator of the EPA office in Boston and an admirer of McDonald's recycling efforts, said the problem with degradable plastics is that the products remain for hundreds of years and take up landfill space.

"What is the difference if the biodegradability drops from 1,000 years to 500 years?" Keough asked. "It's still taking up space in the landfill.

"We prefer to see recycling and waste minimization. The plastics people are really a long way behind the recycling efforts in glass, aluminum and tin."

Additionally, Keough said, many of the chemicals that are used to make degradable plastics are an environmental hazard in some concentrations.

Jerry Johnson, executive director of the Polystyrene Packaging Council, said that the industry had bowed to environmental pressure a few years ago to remove chlorofluorocarbons, ozone layer destroyers, from polystyrene and that it was continuing to be responsive to the environment. But he predicted that escalating legislation would require food-service operators to address the issue more seriously.

"There are only three ways to get rid of trash," Johnson said. "You can dump it in landfill, you can recycle it or you can incinerate it. But legislation for the prohibition of plastic is not the solution, and degradability is not the answer either.

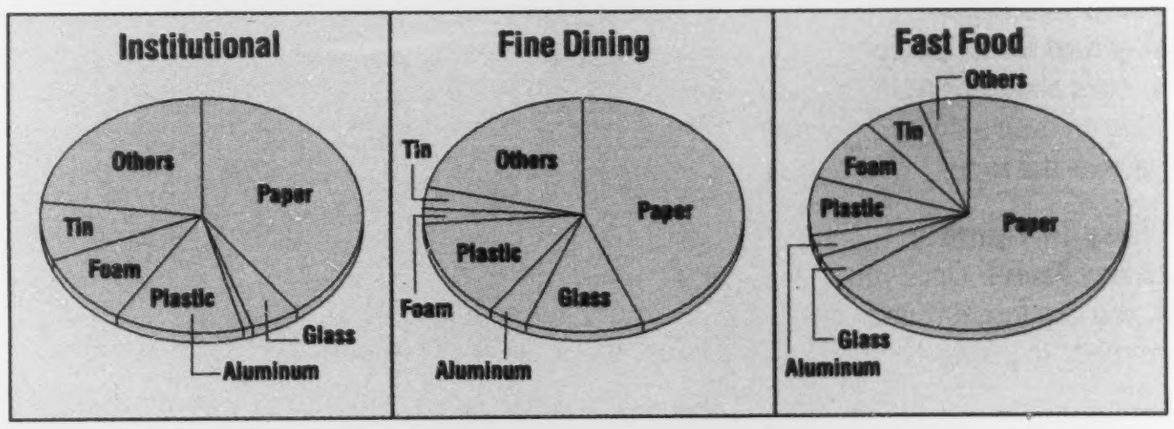
"This controversy is going to catch restaurant people ultimately because they will have to make decisions about it in their own operations."

Scientists raise the possibility that if plastics were recyclable, it might pose more environmental problems than reduce them.

"As we make our products more degradable, it will be more difficult to recycle them," said Woo Young Lee, who is director of research and development activities for Mobil Chemical Co. and spoke during the Chicago symposium.

"As you make it more degradable, you have to compromise long-term stability. So as a recyclable component, this is not desirable.

"One of the distinct advantages of plastic over other packaging material was that it does not degrade easily and therefore does not contribute to pollution. As we make plastics more degradable, the probability for pollution increases due to higher heavy metals contents."



A SLICE OF SOLID WASTE

(Waste generated, by segment, as percent of total waste)

	Paper	Glass	Aluminum	Plastic	Foam	Tin	Recyclable
Institutional	40	5	1	13	10	8	35
Fine Dining	44	12	4	14	2	3	33
Fast Food	65	4	3	8	9	6	30

MORE ON SOLID WASTE

	Institutional	Fine Dining	Fast Food
Customers served daily	1,000	100-450	600-1,000
Number work shifts	3	3-3	3-4
Employees per shift	16	5-9	12
Employees collecting waste	4	2-6	6
Number of outside bins	2	1-3	2-3
Daily Dumpster Trips	10	1-6	8
Number of feet to bins	10	10-40	20
Labor cost of waste control per month	$400	$600	$30
Number of hauler pickups	daily	daily	daily
Hauler cost per month	$260	$75-350	$250-$300

Source: University of Wisconsin at Stout Waste Study. Study conducted for TFC Corp., Minneapolis.

Notes: The university studied eight institutional food service operations (one with compactor), five fine dining establishments (none with compactors), and two fast food outlets (one with compactor). All operations use 10-, 20-, 30- and 40-gallon inside containers to collect wastes; all had garbage disposal units in kitchen.

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Nation's Restaurant News®
THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY
SECOND CLASS
Vol. 23, No. 47 Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year November 20, 1989

Drive-thrus get into the fast lane

Upstart 'burger boxes' challenge fast-food giants

by Jack Hayes

As if the nation's hamburger giants weren't pressed enough by their own expansion, months of industrywide discounting and the public's mounting suspicion over a thing called fat, now they're being squeezed by an enemy shouting price and service: The drive-thru-only competition.

Bent on stealing away traditional burger customers with a redefined menu of price and convenience, the low-overhead drive-thru-onlies are wedging like 500-square-foot Davids into the shadows of labor-intensive McDonald's, Hardee's, Burger King's and Wendy's, and the bruises are beginning to be felt.

"You go into a city and start taking out a couple of million dollars, and you know it's coming from somewhere," reasoned Jim Mattei, founder and chairman of the 21-unit Checkers of North America drive-thru, based in Mobile, Ala.

Particularly in the Sunbelt — a region that has given birth to operators like 165-unit Rally's in Louisville, Ky.; 45-unit Central Park in Chattanooga, Tenn.; 25-unit Fast Track in Baton Rouge, La.; and a 15-unit chain called Ed & Ed's out of Nashville, Tenn. — the presence of the "Box" is being taken seriously.

Boxes, as they are called by the sit-down burger competition, may total as many as 700 units in all markets nationwide, according to the best estimates. Otherwise labeled "kiosks," drive-thru-onlies are mini sandwich kitchens built to serve at least a car a minute in high-traffic lunch and dinner hours.

The drive-thru-only philosophy is fast-service burgers, fries and drinks at low prices. While some drive-thru-onlies stick to a narrow burger-only menu, others are offering hot dogs, chicken sandwiches, shakes and even breakfasts.

SEGMENT LEADERS

Rally's Louisville, Ky.	**165 units**
In 'N Out Burgers Baldwin Park, Calif.	**55 units**
Central Park, U.S.A. Chattanooga, Tenn.	**45 units**
Fast Track U.S.A. Baton Rouge, La.	**25 units**
Checkers Mobile, Ala.	**21 units**

Chain operators are seeing "burger boxes" surface in markets like Boston, Detroit, Chicago and Indianapolis. But in New Orleans and Jacksonville, Fla. the drive-thru-onlies have been passing burger bags out of windows for three or more years. Checkers is due in Atlanta by January, according to Mattei.

"They're like little squirrels in the woods, digging up acorns between the legs of us big deer," said a McDonald's franchisee who believes the drive-thru-only competition is positioned to survive. "But they're not going to run us out of the forest because we eat the leaves and the branches, too."

Indeed, the seductive side of drive-thru-only operating — its relatively low entry cost, $250,000 on average compared with at least $1 million for a major chain franchise startup — has lured a raft of the undercommitted and underfunded.

And while the segment appears poised for spectacular growth, an early shakeout has already begun.

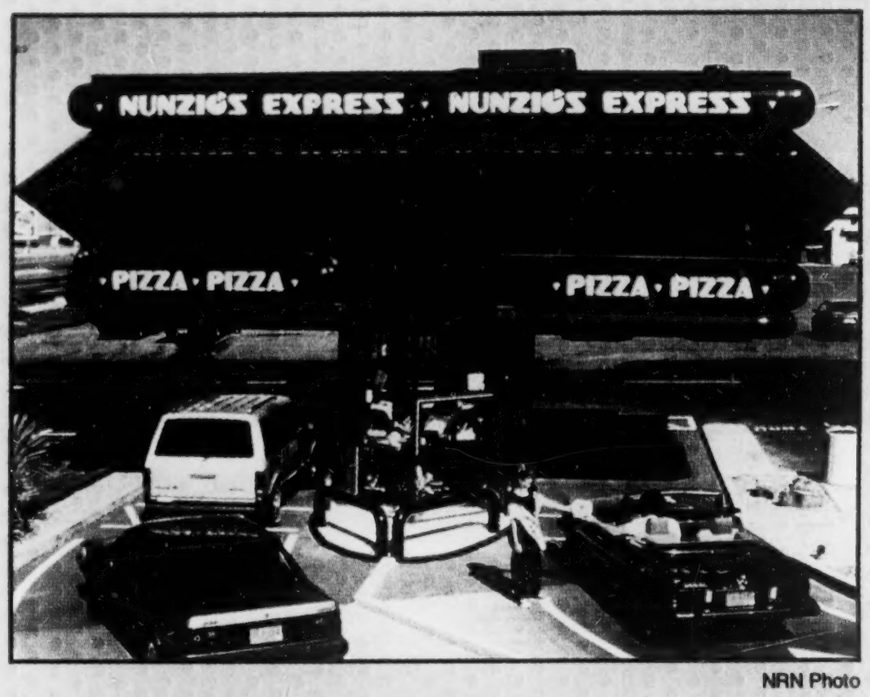
"There's possibly 100 mom-and-pop units out there in the process of closing right now," predicted Checkers founder Mattei.

"The real battle isn't going to be David vs. Goliath, but David vs. David," added Mike Ballard, the president of Double Drive-Thru Inc. which owns Ed & Ed's. "It's only two hits a week that separate the major league from the minor league ballplayer."

At the same time Ballard, who was a former Hookers Hamburgers franchisee, admitted the chains aren't sitting idly by while the drive-thru-only operators take away their business.

"I started one store next to a Burger King, and it came right back with the 99-cent Whopper.

*(See **BURGER**, page 70)*



NRN Photo

One of the high-tech Nunzio's Express pizza units.

1-minute pizza sizzles

by Richard Martin

ALBUQUERQUE, N.M. — Three brothers from the Bronx have launched a futuristic drive-thru-only pizzeria whose one-minute baking cycle threatens to eclipse the service goals of McDonald's and the delivery record of Domino's.

The unorthodox Nunzio's Express, which resembles an alien spacecraft, also challenges fast food by pitting $1.79 pizzas against the burgers and chicken of the quick-service mainstream.

Frank, Nick and Tony Casale, owners of the five-unit Nunzio's Pizza chain here, debuted their strikingly designed express prototype on northwest Albuquerque's fast-food row in mid-October.

After placing orders via two-way video, patrons of the double-lane restaurant get their baked-to-order pizzas in about 60 seconds — thanks to a patented production system and two

*(See **NUNZIO**, page 70)*

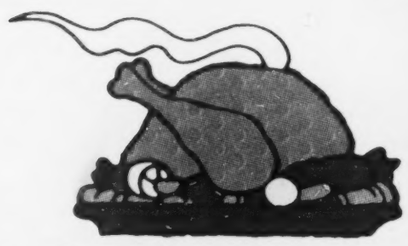
Operators serve up all the right stuffing

by Peter O. Keegan

In an effort to drum up traffic, operators around the country are creating special menus for Thanksgiving Day.

Rather than spending the day watching the bird cook, mashing potatoes and dreading the inevitable cleanup, more and more Americans are looking for alternatives to making the traditional meal at home.

Restaurateurs from coast to coast are targeting consumers with everything from unique variations of Thanksgiving favorites to traditional buffets featuring turkey,



stuffing and vegetables.

The Four Oaks restaurant in Los Angeles is turning turkeys inside out for its Thanksgiving celebration.

Chef Peter Roelant will stuff turkey breasts on the outside to provide a roasted bread outer crust, while cranberries, garlic,

*(See **OPERATORS**, page 71)*

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Rogers ousted from Bonanza

by Bill Carlino

DALLAS — Jeff Rogers, who held the top post at Bonanza for six years, has been dismissed by Michael Jenkins, chief executive of Ponderosa, the 700-unit budget steak-house subsidiary of Metromedia.

Jenkins issued Rogers' exit visa just two weeks after the New Jersey-based telecommunications conglomerate closed a deal to acquire Bonanza for $10.25 per unit share, or about $70 million.

Rogers' dismissal stoked already inflamed emotions among some Bonanza franchisees over the proposed merger with Ponderosa.

The firing, coupled with what they termed "foot-dragging" with regard to issues affecting Bonanza franchisees, prompted a band of angry Bonanza area developers to go straight to the top — drafting a letter to John Kluge, the billionaire chairman of Metromedia.

In a three page statement, the

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 23, No. 47 November 20, 1989

NEWS BRIEFS

McD tests 4 meals in Nashville units

NASHVILLE, Tenn. — McDonald's has added four packaged dinners to the chain's lengthy list of test products.

The new array comprises a shrimp "basket," consisting of deep-fried shrimp with curly french fries and coleslaw; a chicken-club meal, which includes a bacon-topped version of the McChicken sandwich and curly fries; and a seafood item that features a larger, revised version of the chain's fish fillet sandwich.

In addition, test units here have bundled the chain's McRib barbecued-pork sandwich with curly fries to form a dinner package.

In the face of sluggish sales, McDonald's has been testing a number of products, including pizza, frozen yogurt and crudités.

Staffs of LA Hyatts set to strike after 26 arrests

LOS ANGELES — Twenty-six people were arrested when about 800 union members attempted to jam the lobby of the downtown Hyatt Regency here to protest the contract that Hyatt Hotels has offered the staffs of three hotels in the area.

About 750 workers at the Hyatt Wilshire, Hyatt Sunset and Hyatt Regency hotels were set to strike over the proposed contract. Union officials asserted that the terms would allow Hyatt to schedule some employees to work 10 straight days without overtime pay.

The arrests came after Hyatt, which had been the target of previous protests, obtained a temporary restraining order barring demonstrators from entering the Regency lobby. The chain has been locked in a prolonged contract dispute with Local 11 of the Hotel Employees & Restaurant Employees union.

Vern Stewart takes A & W posts

LIVONIA, Mich. — Vern Stewart, a former executive of Sonic Drive-In and Dunkin' Donuts, has been named executive vice president and chief operating officer of the 530-unit A & W Restaurants fast-food chain.

In the newly created posts, Stewart oversees day-to-day operations of the system, with responsibility for such departments as research and development, purchasing, construction and marketing.

In June, Stewart resigned as chief operating officer of Sonic following what the company termed "a problem on company policy." It did not elaborate.

DD Acquisition raises stake in Dunkin' Donuts

TORONTO — The Canadian partnership seeking control of Dunkin' Donuts has raised its stake in the snack-shop franchisor to 44.8 percent of total shares outstanding, from 38.5 percent.

DD Acquisition Corp., an investment concern formed by Cara Operations and Toronto businessman George Mann, disclosed its holdings shortly after Dunkin' detailed plans to accept formal bids from suitors. The doughnut maker said it has met with several parties but has not identified any suitor except DD.

DD has tendered a $45 per-share for Dunkin's stock.

Congress kills Section 89

WASHINGTON — Congress killed the much-loathed Section 89 tax law by tacking a repeal measure onto the government's debt-ceiling bill, which President Bush immediately signed into law.

The nullification was the only amendment attached to the debt cap, which determines how much the federal government can borrow to remain in operation. Earlier, Republican senators and congressmen had attempted to tie the repeal of Section 89 to President Bush's proposal to cut the capital gains tax. The legislators had sought to pass the tax cut by bundling it with the popular Section 89 measure.

Section 89 required employers to prove that they did not discriminate when providing health benefits to employees.

Calif. vote looms on drink tax

SACRAMENTO, CALIF. — A coalition opposing alcohol abuse has proposed a ballot initiative that would levy a 5-cent tax on each 12 ounces of beer, 5 ounces of wine and 1 ounce of liquor sold in California.

Vowing to fight the tax, alcoholic beverage manufacturers said the measure would cost their industry $290 million a year and 6,000 jobs. The state tax on wine, which has not been raised in 50 years, would go from 1 cent to $1.28 a gallon. Beer taxes, unchanged since 1959, would go from 4 cents to 20 cents a gallon. The liquor tax, last raised in 1967, would increase from $2 to $6.40 a gallon.

Tax-hike proponents, including politicians, law enforcement groups, trauma physicians and alcohol treatment associations, said the measure would raise $800 million a year to defer taxpayers' estimated $13 billion annual cost for alcohol-related problems.

The initiative, currently awaiting the state attorney general's certification, would need 595,485 signatures to qualify for the November 1990 ballot.

Taco Bell launches 'Tacos To Go' kits

IRVINE, CALIF. — Taco Bell, in a bid to boost take-out and drive-thru sales, has begun packaging tacos in 6- and 10-pack "Tacos To Go" boxes at the chain's 3,010 units nationwide.

The packages — paper cartons with slots in which the tacos are nested — sell for undiscounted multiples of standard prices, currently ranging from about 49 cents to 59 cents per taco. Taco Bell said the packs would be permanent offerings.

NRN opens Hot Line for design views

NEW YORK — Nation's Restaurant News is opening its toll-free Hot Line to gather your opinion, as a reader, on our new look.

Last week NRN unveiled a contemporary new design with bolder graphics and an easier-to-read format. We want to know what you think, pro or con.

Call the NRN Hot Line, toll-free, 24 hours a day, all this week.

A recorded message will ask for your opinion. If you like, you may leave your name and phone number so that we can contact you to confirm your statement.

Call the NRN Hot Line number at: (800) 687-7711.

Greensboro passes no-smoking laws

GREENSBORO, N.C. — By a paper-thin margin of 173 votes, residents here have voted to require restaurants with 50 seats or more to set aside a fourth of their dining rooms for non-smokers.

The referendum makes this city of 200,000 the first in North Carolina with a mandatory non-smoking rule for operators. It takes effect Jan. 1. Violators will be fined $25.

A study by the City Council, which recommended voluntary adherence, found that a third of the city's more than 400 restaurants already feature no-smoking areas.

Wendy's taps Calhoon for marketing post

DUBLIN, Ohio — Wendy's International has promoted Donald Calhoon to vice president of corporate marketing, with responsibility for all aspects of the burger chain's advertising and promotional programs.

The post had been vacant since Bruce Ley left the restaurant operation several months ago to become president of a Louisville, Ky., advertising agency. Charles Rath, Wendy's executive vice president, had been supervising the day-to-day advertising efforts.

Calhoon was previously vice president of field marketing.

Baran takes ladle at Loews Anatole

DALLAS — Tony Baran, the former chef of Houston's Palacio Tzintzuntzan, has surfaced as executive chef at the Loews Anatole hotel here.

Baran, a 26-year-old University of Houston graduate who made waves serving black antelope tamales and smoked crawfish and venison toast to Houston crowds, said he has plans to re-do the hotel's Chinese restaurant, The Plum Blossom, into an East-meets-Southwest concept similar to Palacio Tzintzuntzan.

Baran, sous chef Scott Edelen and general manager Mitch Kwartler left Tzintzuntzan several weeks ago following a dispute with the restaurant's main investor, George O. Jackson Jr.

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NEWS

Carl's Jr. rolls out ATMs

by Milford Prewitt

ANAHEIM, Calif. — Following a year-long test, Carl's Jr. has approved the use of automatic teller machine cards for customer purchases at virtually all of its company-operated stores.

The chain is also inviting its franchisees to accept the service in a move that holds the potential to make Carl's Jr. the first major fast-food company to accept ATM cards, or debit credit cards, for payment systemwide.

"Convenience is a key factor in our decision to provide this payment option," said Bob Wisely, group vice president of marketing. "Our guests will be able to complete a transaction in eight seconds and receive up to $40 back."

Company officials said it costs about $2,000 per unit to install ATMs.

In a 125-restaurant test, the ATM payment method helped add 7 percent to 8 percent incremental sales per test unit, the company said. Carl's Jr., which operates 400 of the chain's 530 units, tested ATM payment in San Diego and Northern California.

The ATM purchase method works by allowing customers who hold an ATM card from one of three participating banks to draw money or receive immediate credit for purchases. Unlike standard ATM machines, which allow dozens of bank functions, those in Carl's Jr. units permit cash withdrawals only up to $40, or they will debit the bank account for the amount of the purchase. There is no minimum purchase, company officials said.

Similar in function to most ATMs, customers can gain access to their bank accounts in a Carl's Jr. by sliding the magnetic strip on the bank of their cards through the machine and inserting their code number.

"Our customers have told us they love the convenience of paying for purchases with their ATM cards," said a spokesman for one of the participating banks. "It's much quicker than writing a check and doesn't require that you carry a lot of cash in your pocket."

Rogers ousted from Bonanza post

(Continued from page 1)

area developers list 20 key concerns regarding the planned merger of the Bonanza and Ponderosa concepts that they feel directly impact the future status of their restaurants.

"When the deal was imminent, we drew up a list of key points we wanted them to address," said Larry Miller, a 21-unit Bonanza franchisee in Omaha, Neb. "That was over two months ago. They promised to get back with us in seven to 10 days. We're still waiting."

Some of the issues raised by the Bonanza franchisees are the name of the surviving concept, the franchisee role in advertising input, the concept assignment to new franchisees and lost market share opportunities for Bonanza area developers in regions flooded with Ponderosa units.

Ironically, Rogers' dismissal came one week after he agreed to remain in his capacity for one year to ease the transition process.

In a statement relayed through his office, Rogers stated that a comment at this time would not be appropriate, while Jenkins did not return phone calls.

The area developer's letter also told Kluge that they have unanimously agreed to retain independent counsel to resolve matters.

With his dismissal, Rogers becomes the first executive casualty resulting from the Ponderosa acquisition of Bonanza. Ron Parker, an executive vice president of Bonanza and the 620-unit chain's chief financial officer, was tapped to succeed Rogers.

"We're just not very happy about this situation at all," confessed one Midwestern-based area developer who requested anonymity. "They [Ponderosa] haven't shed any light on what's going to happen. Jeff's firing surprised many of us. Basically, they're turning it [Bonanza] over to someone who has no experience in running a company."

Gary Fears, a 50-unit Bonanza area developer in St. Louis, said that Jenkins had phoned him personally to tell him about Rogers' firing.

"He [Jenkins] phoned me on another matter and then said that he preferred to tell me about Jeff rather than [that I] hear it elsewhere or through a memo," Fears said.

However, Bill Johnson, president of the Bonanza Area Developers Association, was optimistic that the situation would straighten itself out.

"The biggest problem in this deal seems to be a lack of communication," said Johnson, a 52-unit owner in Nashville, Tenn. "But Mike Jenkins phoned some of us to say that he was ready to tackle the problems associated with this thing."

Rogers, who joined Bonanza in 1979 as the director of marketing, was instrumental in orchestrating the company's expansion format and diversifying the menu from its traditional steak core.

He also helped restructure Bonanza to a limited partnership, changing the company name to USA Cafes L.P.

Sirhal takes seat at SFM table

(Continued from page 3)

Sirhal remembered.

Following his graduation, he was promoted to district sales manager for Ogden and then spent a total of five years with the food-service divisions at Greyhound and the Marriott Corp. In 1983 Sirhal returned to Greyhound's $200 million Restaura division.

Shortly after he began his second term at Greyhound, Sirhal joined SFM and became active in membership drives. As the 1988 chairman of SFM's membership committee, he mapped out a recruiting goal of 200 new members. By year's end the trade group had added 270 new members.

Sirhal also helped organize a regional conference program that provided SFM members a chance to network without having to wait until the yearly annual gathering. During the last two years, the organization staged nearly 50 regional conferences.

"The regional conferences also let non-members get a taste of what SFM is all about," Sirhal explained.

He also noted that during his one-year term as president, he would be developing two SFM panels: Environmental Management and Legislative Awareness.

The environmental group will address the issue of solid-waste disposal, and the legislative group will alert SFM members about new bills that might have an effect on food-service operations.

Sonic restaurants to blitz Southeast

(Continued from page 3)

to an 11-county area in the Florida panhandle and currently operate the two existing Florida Sonics in Panama City and Lynn Haven, Fla.

Sonic's Florida foray comes at a time when the 1,000-plus unit drive-in chain is reaping the benefit of an intense effort to unify a rather diverse group of franchisees, 350 of which are single-store operators.

To that end, the company, under the direction of president and chief executive officer C. Stephen Lynn, has spent the last four years in hiring what Flack calls an "effective and contemporary management team" and bringing the 40-year-old chain up-to-date.

And while the chain grew by less than 30 units during that period, systemwide sales increased from $292 million in fiscal 1985 to an estimated $390.3 million in fiscal 1989.

Flack credited the increases at least partially to team work. The executives at Sonic convinced more than 960 units to participate in the company's purchasing co-op, compared with only 250 stores two years ago, he said. More than 800 now take advantage of the advertising co-op, up from 200 four years ago.

"We've been able to show the franchisees that by buying together, they can afford private labels," he said. "It's really unique to move a 1,000-unit battleship that far in that length of time.

"But we just now have the franchisees believing what we can do for them."

And in an effort to make the chain look alike as well as act alike, executives at Sonic have been pushing a retrofit program that now encompasses 600 units.

The remodeling, which costs operators between $27,000 and $30,000, includes red and gray vinyl siding, colorful canopies and neon signage. It updates the flat roofs and exposed equipment associated with Sonic's older units.

Sales at units with the new look run better than $600,000 a year, well above the $395,000 company average.

And to further those sales trends, the company recently added another twist to its traditional 24-stall drive-ins.

A drive-thru window was included in a prototype unit built in Sonic's hometown, Oklahoma City, this past spring. The window, which, according to Flack, does not increase labor costs but slightly raises lot requirements, has led to incremental sales growth of 15 percent.

"It serves as an alternative when all the stalls are full," he said. "Or some people just prefer to drive through rather than park."

The irony in that, he said, is that service in the stalls is usually quicker.

"We have an average wait of about three and half minutes in the stall," he said. "We haven't quite achieved that in the drive-thru."

The new window required several design changes on the inside but few external ones. Sonic is currently offering franchisees two prototypes, one with the drive-thru and one without.

CORRECTION

"TCBY enters low-cal fray," Oct. 23, page 2, incorrectly said the Häagen-Dazs chain offers Low, Lite'n Luscious, a line of reduced-calorie treats. In fact, it is Baskin-Robbins that offers the product.

FINANCIAL NEWS

Court's inaction on takeovers stirs industry debate

by Milford Prewitt

WASHINGTON — The Supreme Court's refusal to hear a challenge to Wisconsin's corporate takeover law has some restaurant executives eager for the right case to come along to clarify and consolidate the myriad of state regulations on mergers.

Acquisition-minded restaurant executives and securities lawyers said mergers and acquisitions have become unusually complicated in recent years because of a dizzying array of state regulations that may be unconstitutional, unfair to shareholders and fiscally irresponsible.

But others say the laws are needed to preserve companies from cash-hungry corporate pirates, who, after gaining control of a pursued company, have been known to shutter facilities and fire employees.

Executives were responding to the High Court's refusal to consider the case of Amanda vs. the State of Wisconsin, in which Amanda Acquisition Corp. contended that Wisconsin's takeover legislation violated federal securities laws and restrained interstate commerce. The suit resulted from Amanda's pursuit of Universal Foods Corp., a diversified foods producer and distributor based in Milwaukee.

Under Wisconsin's takeover law, bidders in a tender offer — even those who have successfully garnered the majority of shares — cannot assume control of a company without the consent of the target company's board of directors or a three-year wait.

The Supreme Court's refusal to consider the case means the judgment of a federal appeals court in Chicago holds, even though the lower court judges said the Wisconsin law may be "folly" as economic policy.

According to the Joint Center for Judicial Studies, about half of the nation's states have enacted laws companies can invoke to stymie unwanted and hostile merger bids.

Eric Evans, associate director for Toronto-based Kingsbridge Capital Group., which is part of a group bidding for control of Dunkin' Donuts, said the issue of anti-takeover laws is troubling from another aspect few people discuss.

"The really huge issue here and the one no one seems to be addressing is this question of corporate governance," Evans said. "It's ludicrous that someone who holds the voting control of a company is unable to exert that control, that an owner, in fact, has no control in the direction of the company."

> "The really huge issue here and the one no one seems to be addressing is this question of corporate governance."

But Paul Spooner, a vice president for Barclays bank in New York, said that the societal obligations of corporations give states the right to construct anti-takeover laws.

Spooner said that just because an individual or a group of individuals own a company does not give them the freedom to run a company as they please.

"It's really a very short-sighted view of American corporations that one's shareholders or equity holders are its sole constituency," Spooner said. "A corporation is an organization with certain social support responsibilities that extend to its community, its schools, its vendors, and its workers. It has a much larger role than simply being responsible to a small group of shareholders."

Greg Dollarhyde, vice president of acquisitions and general manager of new concepts for Pizza Hut, agreed with Spooner but noted that some takeover artists in the recent past have not concerned themselves with the question of constituents.

"There have been a lot of acquisitions in which the buyer busted up the company, fired people, sold off assets and left nothing for the community," he said. "In a place like Los Angeles or New York, that wouldn't mean much, but in a small town, that could be devastating.

"So the question is, Who are the constituents of the board of directors? Is it the shareholders? Is it the employees? The community? The fiduciary duties of the board of directors are possibly one of the areas the Supreme Court is looking at, but I don't think there has been enough case law for them to make a decision."

J.J. Fitzsimmons, senior vice president and chief financial officer of National Pizza, the Pittsburgh, Kans.-based Pizza Hut franchisee that recently bought Skippers, blasted the wide divergence from state to state in takeover legislation.

In Washington target companies can hold off a bidder with 10 percent of the voting stock for as long as five years without the approval of the board of directors.

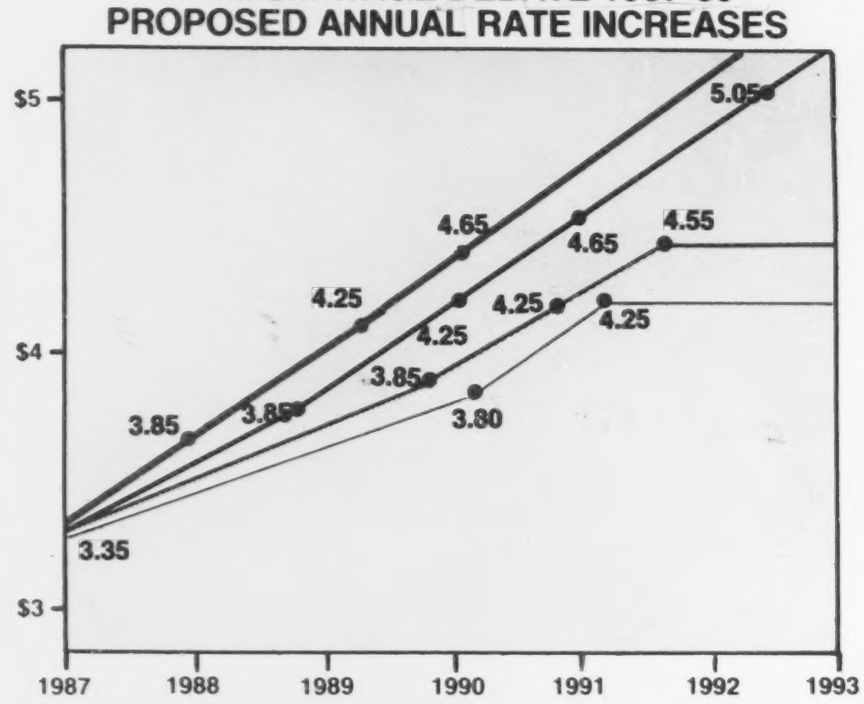
Formally known as the Washington Moratorium Statute, the state's takeover law has been nicknamed the Boeing Statute — after the giant aircraft manufacturer persuaded passage when corporate raider T. Boone Pickens was reportedly interested in the company last year. Just five months ago Massachusetts passed anti-takeover legislation some have dubbed "the Gillette Law" after

(See HIGH COURT, page 67)

NRN FACT FILE

A look at the statistics shaping the industry

MINIMUM WAGE DEBATE 1987-89
PROPOSED ANNUAL RATE INCREASES



The recent compromise on the minimum wage represents a sharp setback from the original proposal in 1987.

- Original Kennedy/Hawkins bill introduced March 1987 (H.R. 1834/S. 837)
- H.R. 1834 as approved by House Education and Labor Committee March 1988
- Current compromise agreed to by President Bush, House Democrats October 1989
- Bill passed by Congress and vetoed by President Bush, June 1989 (H.R. 2)

Source: National Restaurant Association

FINANCIAL DIGEST

Old Spaghetti Warehouse reports record profits in first quarter

GARLAND, Texas — Old Spaghetti Warehouse Inc. reported a record 41-percent boost in net income, to $569,446, on a 20-percent increase in revenues, to $8.3 million, for the first quarter ended Sept. 30.

The 17-year-old company operates a chain of 13 restaurants in Texas, Ohio, Florida, Tennessee, Georgia, New York and Pennsylvania. New units are scheduled to open in Oklahoma City in November and Rochester, N.Y., in February 1990.

National Pizza marks 52-percent increase in profit for second quarter

PITTSBURGH, Kansas — National Pizza posted a 52-percent increase in net income, to $3.7 million, on a 20-percent jump in revenues, to $42.6 million, for the second quarter ended Sept. 30.

Pizza Hut's largest franchisee attributed the performance to a 10.7-percent uptick in same-store sales and the chain's increasing success in attracting business from other competitors in the fast-food segment.

Pancho's Mexican Buffet net income drops in 3rd quarter

FORT WORTH, Texas — Escalating food and payroll costs pruned net income for Pancho's Mexican Buffet Inc. to $712,000 for the third quarter ended Sept. 30, marking a 30-percent drop from the tally for the year-ago period, the company said.

Revenues totaled $18 million, outstripping the prior year's figure by 3.8 percent, the buffet chain indicated.

Pancho's described its labor costs for the quarter as "higher than normal." Expenses were hoisted by the opening of a corporate data-processing center and a recruitment drive undertaken to support an expansion push, the company said. It disclosed plans to open a total of eight restaurants during 1990, compared with a net gain of five stores in '88.

Four Seasons seeks stock split in depressed third quarter

TORONTO — The Four Seasons Hotel Inc. said it would seek shareholder approval for a stock split at a special meeting Dec. 19, following a lackluster third-quarter performance that witnessed an increase in profit but a drop in sales.

Net income for the quarter jumped 12 percent, to $3.4 million, but revenues fell 12 percent, to $50.3 million.

The company said it would also seek shareholder approval for a plan to provide "increased incentives to its chief executive and some of its other senior executives."

FOOD PRICE OUTLOOK

Strike, strong demand has lettuce prices moving up

by Patt Patterson

Short term, three major factors seem to be moving lettuce prices up. At presstime a strike against one of the major Western growers was still unsettled, with union members voting overwhelmingly to reject the company's most recent offer.

The second factor was stronger demand than usual for lettuce for the period. And the third factor was news that the leaf minor pest was hitting hard in the Blythe area, causing some growers to consider disking under hundreds of acres unless they can obtain permission from California to use a restricted insecticide. Some industry observers say higher prices could prevail until mid-December.

Canned ham prices are still rising. Higher domestic hog prices combined with reduced imports of foreign hams are both contributing to the increase.

Pork prices in general are still moving up. Demand is strong, and McDonald's pork rib sandwich promotion has put strong upward pressure on prices.

Beef prices are also moving up seasonally. According to some industry analysts, prices into next year may be higher than normal as cattlemen hold back animals from market in order to rebuild herds. Short term, that could mean higher prices for beef. Long term, it would mean a larger supply and lower prices.

Lamb production is up slightly, imports have increased but consumption has increased even more, dropping frozen lamb inventories by more than 20 percent. Look for some increase in lamb prices through spring.

Chicken prices have moderated, with presstime levels about the same as last year's. Producers continue to increase production over last year's but not enough to cause supply to overwhelm demand. Expect mostly stable prices through to spring.

NEWS

Burger chain giants fight off drive-thrus

(Continued from page 1)

So my opening at that location wasn't as good as at some of the others," Ballard explained.

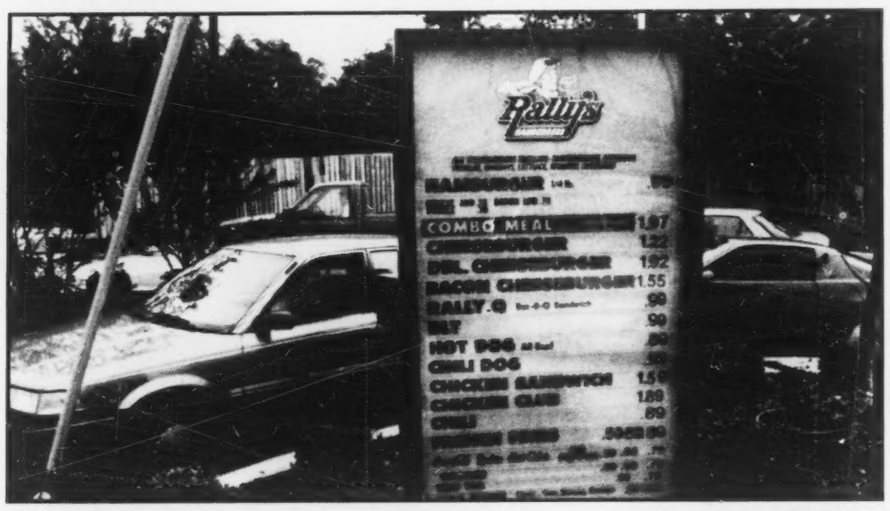
A Rally's staffer in Indianapolis recalled the meeting in which a former McDonald's manager said franchisees can get written instructions on how to counter when a double drive-thru opens in the neighborhood.

"You beef up the window staff — put your strong people where they can do their thing," he said.

In relative terms, though, the drive-thru-only segment is hardly called a major threat to the burger world at this point. If McDonald's by itself can add 350 stores a year to the universe of more than 20,000 Big Four hamburger units, then the drive-thru-onlies may have decades of catching up to do.

"The total mass [of drive-thru-only operators] is not that significant," said New York-based analyst Bill Trainer, who works with Merrill Lynch. "The Rally's and In'N Outs are only a small part of the major problem, which is continuing expansion in the face of flat demand."

Nevertheless, drive-thru-only economics is built on speed, not just speed of service, but speed of construction and speed of start-up.



NRN Photos

Patron orders at a Rally's drive-thru unit.

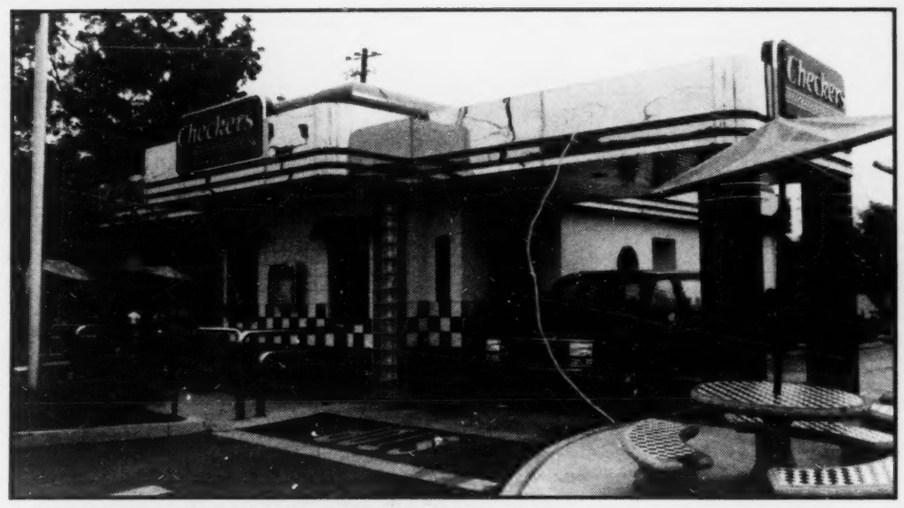
"Once the pad is ready, and the utilities are set, the building can be installed in a day," said Robert Davenport Jr., operations vice president of Central Park USA. "Two weeks from the building's delivery you can be open."

Central Park, which is expanding in an eight-hour driving distance from its Chattanooga, Tenn., home base, is having its drive-thru-only kiosks built in batches on an assembly line. They are delivered to operating sites on trucks.

Like all concepts, the theory of drive-thru-only often works better than the practical side. Operators bemoan the management burnout that appears to be a fact of squeezing five to seven people in close quarters several hours at a time.

"There's huge management turnover," said Ballard of Double Drive-Thru Inc. "The concept can lull people to sleep. You work in the same 12-foot-by-40-foot box every day, and you can slip a bit. There's not enough money in the world to keep some people in a job like that."

And the efficiency of operating without a public rest room apparently is not accepted by zoning authorities in every market. In fact, the big chains are fighting their drive-thru-only competition on the zoning issue in some markets, operators reported.



A Checkers of North America drive-thru unit.

Also the issue of declining burger demand — the same issue that pushed the big chains into chicken sandwiches and salads — is viewed as a threat to the drive-thru-only operators who stay with the burger-only menu.

"Two years ago I'd argue burgers, fries and Cokes," said Ballard, who claims 50 percent of his sales are from burger junkies who eat at Ed & Ed's stores three times a week.

"I'm finding you don't have to be white collar to count calories," added Ballard, who said his latest customer survey shows female patronage has slipped from half to one-third of business.

"That tells me females are starting to concentrate on something other than beef," he said. "The low-fat thing is big. Everybody I know is talking about it."

Meanwhile Baton Rouge, La.-based Fast Track USA, which serves a 300-calorie turkey sandwich with its chicken and burgers, is also serving biscuit breakfasts — and appears happy the competition hasn't decided to jump in.

"We do breakfast from 6:30 to 10 a.m. and then convert the stores over to the regular menu," said Mitch Richardson, the Fast Track chief executive. "The building is there, so why not use it?" asked Richardson, who suggested breakfast may be 20 percent of total sales.

Nunzio brothers launch 1-minute pizza

(Continued from page 1)

souped-up, gas-fired conveyor ovens. Capable of producing about 350 8-inch pizzas an hour, the ovens will also enable the drive-thru-only to offer 15-minute delivery of phone orders, the Casales indicated.

"This is our interpretation of what the typical restaurant will be in the year 2010," Frank Casale said. For the time being, he sees baked-to-order pizza-in-a-minute as "a market nobody's been going after."

McDonald's, poised to roll out a 14-inch pizza costing between $6 and $10, requires nearly five and one-half minutes to bake the product it is currently testing.

Domino's, which has propelled the pizza industry's fast-growing take-out and delivery field to the point where it accounts for more than 60 percent of the segment's sales, earned its fame largely on the strengths of guaranteed delivery within 30 minutes.

The Casales, who have four patents pending on Nunzio's Express, said they invested five years and more than $1 million to develop the concept, which they intend to bring to Phoenix, Ariz., and Denver by next year.

As customers in cars approach the cantilevered, black-glass-clad kitchen that hovers above the drive-thru lanes, they see their fresh-baked 8-inch pizzas descending on vertical conveyors into the restaurant's transparent "pedestal" kiosk.

The glass-walled kiosk — only slightly larger than a parking space — is virtually devoid of fixtures, with the exception of order-entry-cash equipment and beverage fountains concealed in tubular pillars beside the service windows. A circular stairway leads from the kiosk to the upper level, which is resupplied through a port that opens for trucks' hydraulic lifts.

Drive-thru customers place their orders at menu stations equipped with two-way television systems that permit user-friendly eye contact between drivers and cashiers. Walk-up windows accommodate pedestrians; seating is not provided.

Menu options are limited to soft drinks, salads (garden, $1.59; antipasto, $2.59) and the basic $1.79 cheese pizzas, sold singly and in four-pack and six-pack bundles.

The pizza packs make it easier to satisfy the different topping preferences of groups, Frank Casale said. Toppings, an extra 49 cents each, are pepperoni, mushroom, green chile, Canadian bacon, extra cheese, pineapple and jalapeño pepper.

In New Mexico and elsewhere, the brothers expect the drive-thru-only's extraordinary appearance to captivate pizza fans. "We want people to say, 'Wow, this is something from outer space,' " Nick Casale said.

> **"This is our interpretation of what the typical restaurant will be in the year 2010."**

The teal blue and red structure housing Nunzio's Express is modular and can be erected on a 3,500-square-foot lot in 48 hours for a cost of about $200,000, the Casales said. Because of the pedestal-and-cantilever design, a single-lane unit will require only the ground space of a typical Photomat outlet, they added.

Designed to overcome high land costs and the scarcity of prime sites, the Casales' fast-pizza format also addresses the industry-wide manpower crisis by operating for only 60 percent of the labor cost of a standard Nunzio's Pizza outlet, the brothers indicated.

The Nunzio's Express unit was designed for an annual sales capacity of at least $1.5 million. The Casales now must wait to see whether high-speed mini-pizzas can generate the same kind of purchase frequency that has made burgers and chicken fast-food staples.

Initial responses from customers have been overwhelmingly positive, the brothers said. Business during the prototype's first weeks of operation has been "about quadruple our wildest expectation," a company spokesman said. The Casales declined to specify actual sales volumes.

The taste of the 60-second pizzas has elicited mostly favorable reactions. "I was surprised; it was much better than I thought it could possibly be," said Bill Scott, vice president of five-unit Dion's Pizza, the Nunzio's chain's principal rival in Albuquerque.

Scott said the Casales have "a great idea," and he noted that the nation's mainstream fast feeders offer "hamburgers, chicken, but nobody has pizza. We all grew up on McDonald's, and I think we're all getting tired of it."

Gayle Foster, who works for Albuquerque Monthly magazine, said her 60-second pepperoni pizza "was really good — pretty close" to the same taste and texture of the regular Nunzio's pizza she enjoys.

However, a receptionist at the district office of Pizza Hut, next door to Nunzio's Express, unequivocally panned the upstart concept's efforts. Stating a preference for her company's product, the Pizza Hut staffer said the Nunzio's "restaurants are good, but the Express pizza is terrible."

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THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

Vol. 23, No. 48 Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year November 27, 1989

Allied-Lyons bags Dunkin' for $325 million

UK firm already owns Baskin

by Peter Romeo

RANDOLPH, Mass. — Allied-Lyons, the London-based operator of the Baskin-Robbins ice-cream chain, is adding a huge new slice to its snack-shop holdings by acquiring Dunkin' Donuts for $47.25 in cash per share, or $325 million in total.

Dunkin' has conditionally accepted the bid, which surpasses a long-standing, hostile stock tender offer from DD Acquisition Corp., a partnership of two Toronto-based concerns.

DD, which was formed by Kingsbridge Capital Corp. and restaurant powerhouse Cara Operations, had been offering $45 for Dunkin' shares.

The unwanted suitor had amassed 44.8 percent of the doughnut maker's stock at the time that Allied-Lyon's offer was accepted.

Robert Rosenberg, Dunkin's chairman and the son of the chain's founder, said the company was "delighted" with the deal. He called it "a transaction that is in the best interest of Dunkin' Donuts and its shareholders, franchisees, employees, customers and suppliers."

DUNKIN' DONUTS

Throughout Dunkin's effort to elude DD, the company had been closely allied with the doughnut chain's franchisees, who had expressed misgivings about the prospect of a takeover by DD.

Some licensees had acquired blocks of stock to keep the shares from falling into DD's hands. At one point the company disclosed that Dunkin's franchise community had offered to team up with management to attempt a leveraged buyout of the company.

Attempts to contact a DD spokesman were unsuccessful.

The agreement between Allied-Lyons and Dunkin' is contingent on the buyer's ability to acquire at least 75 percent of Dunkin's total shares. In disclosing the terms, Dunkin' noted that

*(See **DUNKIN'**, page 67)*

John M. Cranor

Cranor answers KFC critics

by Milford Prewitt

LOUISVILLE, Ky. — With a bitter franchise contract dispute threatening to stifle the Kentucky Fried Chicken system, KFC chief executive John M. Cranor said he would meet with the chain's franchisee leaders to defend the controversial proposal.

In an exclusive interview with Nation's Restaurant News, Cranor disclosed that he would meet here with the franchisees Nov. 29 to explain certain contract provisions, some of which have sunk Louisville's relationship with its franchisees to one of the lowest levels in memory.

*(See **KFC**, page 67)*

Price, health prompt new menu formats

by Peter Romeo

In an attempt to merchandise familiar products more effectively, a number of restaurant chains are reorganizing their menus to help patrons quickly spot their preferences.

In most cases the reshufflings are intended to convince patrons that they can find plenty of the low-priced and healthful selections that they might have been seeking elsewhere.

For instance, Wendy's, the 3,800-unit burger behemoth, and Del Taco, a 146-unit Mexican fast-food chain, have both recently bunched their inexpensive offerings together to form distinct economy menus with everything priced at 99 cents. The lists of bargains are being waved at consumers who bestow their dining-out dollars on whatever place offers the best deal.

"It's a strategy to improve our price-value perception," Wendy's spokesman Denny Lynch said of the chain's new Super Value Menu, which is being spotlighted in a national advertising campaign.

Wendy's Super Value Menu
(All items priced at 99 cents)

Junior Bacon Cheeseburger
Garden salad
Baked potato
Chili (8-ounce serving)
'Biggie' fries (6-ounce serving)
'Biggie' soft drink (32 ounce)
Frosty frozen treat (16 ounce)

Company units offer these seven items. Franchisees are advised to feature seven but have the option of showcasing five or nine.

Source: Company reports.

Skipper's, a 215-unit regional quick-service seafood chain, has paired salads with fish and chicken entrées to form a new "lite" menu-within-a-menu.

"We wanted to show customers that we were as concerned as they were about nutrition and that they could find light things on our menu," said Joan Collins Corey, Skipper's spokeswoman. She not-

*(See **CHAINS**, page 66)*

INSIDE

Minimum-wage bill deserves support
Charles Bernstein/Page 23

Contractors add variety to company cafes
Focus/Page 27

Operators pop their corks
Mort Hochstein/Page 49

Operators stock between smoke and a hot place
Jack Hayes/Page 38

Marriott brakes Allie's growth

Will project be abandoned?

by Richard Martin

BETHESDA, Md. — Marriott Corp. has dramatically slowed the planned expansion of Allie's and partly withdrawn the featured hot-food bar that anchors the 34-unit test concept.

Changes in the Allie's rollout and unconfirmed reports of defections by some executives involved in the project have fueled speculation in the industry that Marriott will scuttle its ambitious plan for a nationwide chain of the upscale family restaurants.

Marriott officials declined to comment on the reports, but a spokesman reasserted the company's intention to proceed with conversions of its hundreds of coffee shops to the full-service Allie's format.

Meanwhile, unofficial reports are emanating from within the Marriott organization that the company is seeking a buyer for its 600-unit Roy Rogers fast-food chain. Marriott's refusal to discuss those reports has not defused the conclusions of some industry insiders.

"Marriott is going to be getting out of the public-restaurant side of the business," predicted a

*(See **MARRIOTT**, page 67)*

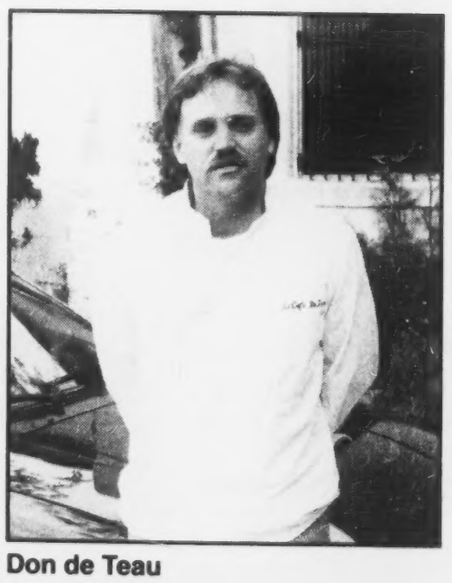
Don du Teau merges casual and fine dining

by Jack Hayes

AUGUSTA, Ga. — A self-taught culinarian who turned his folksy vegetarian cafe into a gourmet tablecloth destination five years ago is returning to the world of casual dining, but this time he's going only halfway.

Convinced that he can reinforce his fine-dining niche with a less formal, less expensive wine-and-appetizer format — in a different room under the same roof — restaurateur Don du Teau is following other operators across the nation who have already made the same move.

Such operations include Biba, a hot Boston establishment mixing upstairs full courses with downstairs wine and appetizers, and Lautrec in Sacramento, Calif.,



Don de Teau

which opened its Le Bistro room

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NRN HOT LINE

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Nation's Restaurant News maintains a toll-free, 24-hour telephone line to gather feedback from its readers.

This week we are soliciting opinions on our new look. We want to know what *you* think, pro and con, about our new graphics and typography.

When you call the NRN Hot Line, an answering machine will ask for your opinion. If you like, you may leave your name and phone number so that we can confirm your statement for publication.

Call the NRN Hot Line: 1 (800) 678-7711.

Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc. 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 23, No. 48 November 27, 1989

NEWS BRIEFS

Craig tapped to oversee KFC home delivery

LOUISVILLE, Ky. — Kentucky Fried Chicken has disclosed that Kyle Craig, the former head of S & A Restaurant Corp. and a one-time high-ranking executive at Burger King, has been tapped to spearhead the chain's entry into home delivery,

Craig is also serving as a restaurant adviser to Wayne Calloway, chairman and chief executive of KFC's parent company, Pepsico Inc.

"He is president of home delivery," said John Cranor, KFC's president and chief executive. "We really don't have a position like that as such, but he's going to help us figure out how to run home delivery. He's like an ambassador without portfolio but reports to Wayne Calloway as an adviser on restaurants."

Craig had been one of Pillsbury Co.'s higest-profile executives, having held top executive positions in the company's Burger King division, Quick Wok and S & A Restaurants Corp. The company was acquired early this year by Grand Metropolitan PLC.

Pantera's tags 150 Pizza Inns for divestiture

DALLAS — Pantera's Corp., operator of the ailing Pizza Inns chain, said it has shuttered or sold 40 of its pizzerias and may sell or franchise most of the remaining 150 company-operated units within the next 18 months.

The company explained that it plans to retract from restaurant management to concentrate on franchising and food distribution. It has been operating under the protection of a bankruptcy court since September.

Negotiations are already under way to sell 10 additional company stores, and sale signs may be posted soon on an additional 15 to 20, the company said. Pantera's franchises some 400 units.

NY ready to pounce on tax dodgers

NEW YORK — Authorities are poised to nab a number of restaurateurs here who routinely skim profits to avoid paying higher income taxes, city officials have warned.

Among the offenders are several of the city's best-known dining establishments, according to finance commissioner Anthony Shorris. However, civic officers would not identify the alleged culprits.

The city said it would also offer rewards to restaurant employees who inform authorities about employers who routinely pocket customers' cash payments.

At a press conference officials said that restaurants pocketing cash receipts would be billed for a total of $6 billion in overdue taxes on unreported income. Individual assessments could range as high as $250,000, Shorris said.

Mayor Ed Koch indicated he would seek to send the transgressors to jail.

Flame-broiled chicken item set for BK

MIAMI — Burger King is preparing to roll out a flame-broiled chicken sandwich after testing the product for two months in San Diego, Calif., and Greensboro, N.C., according to reliable sources.

Burger King confirmed that the product test is under way but denied a rollout is imminent. The sources said Burger King has not yet named the item.

The 360-calorie, all-white-meat sandwich is topped with lettuce, tomato and ranch dressing and is served on an oat bran bun. The item is priced at $2.59 or $2.09 when discounted.

The test has been supported with television ads produced by Saatchi & Saatchi Advertising and UniWorld Group Inc.

Ryan's licensee considers sale

NEPTUNE BEACH, FLA. — Family Steak Houses of Florida, a 24-unit Ryan's franchisee here, said it has retained an investment banker to assess the possibility of selling the company or pursuing other routes to boost the value of the company's stock.

The company has already fielded "informal" overtures from "more than one party with an interest in acquiring Family Steak Houses," but an actual bid has not been tendered, according to company president and chairman Eddie Ervin Jr.

The restaurant operator holds the exclusive rights to open franchised Ryan's steak houses throughout Florida. The company reported a 28-percent year-to-year decline in new income, to $223,900, for the third quarter.

Arby's awaits appointment of next president

ATLANTA — Franchisees and employees of Arby's Inc. are awaiting appointment of the 2,000-unit sandwich chain's fourth president since September — while speculation continues to mount about the operation's future ownership.

Since the September firing of Leonard Roberts by Victor Posner, whose DWG Corp. owns Arby's, two other presidents have come and gone. They are New York restaurant magnate Irving Riese and onetime franchisee Thomas Cortez.

Meanwhile, two battles for control of DWG and Arby's are continuing. One has moved into the courts, where New York-based Granada Investments has filed suit against Posner to force a sale of DWG for $572 million.

The other is a Roberts-led franchisee revolt in which a reported majority of Arby's operators have joined a group called A.P. Associates, pledging to fight Posner for control of Arby's.

Jeremiah Tower discloses plans for Hong Kong

SAN FRANCISCO — Restaurateur-chef Jeremiah Tower said he and some partners plan to open a restaurant in Hong Kong in December.

Tower confirmed that Hong Kong authorities had granted him and his partners in Free Dragon Ltd. an eight-year lease for a restaurant site atop the Peak, a popular tourist attraction and exclusive residential area on the British-leased territory.

Ted Hiscox, who has worked for Tower at both the Santa Fe Bar & Grill in Berkeley and at 690 in San Francisco, will be a chef at the Hong Kong property. Tower said the new restaurant would serve Chinese, Thai and "tropical" foods similar to those found at 690.

Southland mulls recap to meet debt obligations

DALLAS — Admitting that it may not be able to repay creditors in 1991, Southland Corp., operator of the 7-Eleven convenience-store chain, said it is evaluating a "comprehensive recapitalization" to ease the company's crushing debt.

"We feel it is only prudent to consider financial restructuring alternatives well in advance of the time this cash shortfall should occur," the company said in a prepared statement.

Southland attributed its financial problems to unexpectedly soft sales in the convenience-store market, where an onslaught of new outlets has heightened competition. Intake has undershot the projections drafted by the company before its $4.9 billion management-led leveraged buyout in 1987.

Bush enacts wage hike

WASHINGTON — President Bush has signed the minimum-wage hike into law, leaving the restaurant industry braced for a hike in payroll costs.

On April 1 the pay floor will be lifted to $3.80 from the current level of $3.35. However, the tip credit — the proportion of servers' gratuities that employers can count toward the minimum wage — rises that day to 45 percent from 40 percent.

Under the proposal that Bush signed, the lowest permissible hourly wage would increase to $4.25 on April 1, 1991. At the same time the tip credit increases to 50 percent.

Hilton's price drops after talk of slow sale

BEVERLY HILLS, Calif. — The price of Hilton Hotels Corp. stock nose-dived following reports that a sale of the company or its subsidiaries may not be disclosed until 1990.

Earlier, the lodging operator revealed that it was reviewing "expressions of interest" from "prospective purchasers." It said that the unidentified suitors were eyeing the whole company as well as its hotel operations. Hilton also manages casinos.

A number of speculators dumped their shares after a financial news service quoted a Hilton official as saying that divestiture may not be finalized before Jan. 1.

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NEWS

Operations weather debuts despite earthquake

(Continued from page 3)

apple sauce and sour cream ($4.95); lobster tamales with chili cream ($10.95); and ginger-glazed duck breast with tropical rice, long beans and rutabagas ($15.95).

Before the quake the volume of business at Embarko had been building toward the targeted 480 covers a day at an encouraging rate, Fitzgerald said.

The restaurant was averaging 130 lunch covers daily and serving from 120 to 250 dinners nightly.

Though power and gas service were restored within three days of the quake, customer traffic was practically nonexistent for two weeks and was slow in rebuilding after that, she said.

Fitzgerald estimated that Embarko lost at least $24,000 in sales outright during the time it was closed and a larger sum in reduced sales once it reopened. And while the restaurant is insured for business losses, the policy only returns lost income, which means the restaurant's owners will have to reach into their own pockets to pay the fixed costs normally covered by cash flow, she indicated.

The postquake downturn in traffic, Fitzgerald said, forced management to lay off nearly half the staff.

"I'd say we are about 90 percent back," Fitzgerald reported. She added that staffing levels had also returned to prequake levels.

Fitzgerald noted that she and her partners had revised their first-year sales projections for Embarko downward to $2.5 million as a result of the natural disaster.

But the earthquake has not been all bad news for Fitzgerald, the Leises and some of their investors: Business is booming at the Avenue Grill because Marin County residents, who might normally venture over the Golden Gate Bridge into San Francisco for dinner, are sticking closer to home these days.

"It's too bad both places are not owned by the same company; that would make it easier to keep the investors satisfied," chef La Mancusa remarked of the feast-or-famine situation faced by partners in the Avenue Grill and Embarko.

While Embarko's business soul was scarred by the events, its physical plant suffered little, Fitzgerald said, explaining, "The only thing that happened was that a few tiles lifted."

Over at Opera Plaza, near the city's civic center, Monsoon did not get off so easy.

"We were nearly finished with the restaurant when a hot-water pipe burst on the floor above and unleashed a seven-hour flood," Cost said of quake-related problems.

If the ceiling on the floor above Monsoon had not eventually collapsed, exposing the shut-off valve for the pipe that was spewing the water, workers probably would not have been able to contain the heaviest damage to the bar and private party areas, he indicated.

The water damage forced Monsoon's owners to repaint a third of the restaurant and recarpet half of it, general manager John Henry said. Also ruined, he said, were the electrical system in the kitchen and all the foodstuffs, both raw and prepared, in the walk-ins.

Cost, his staff and the contractors involved were able to make Monsoon functional for the scheduled preopening parties, but the restaurant's public introduction was delayed an additional week while restoration was completed, Henry said.

It is hard to calculate accurately the loss of revenue the week's delay amounted to for Cost and his partners, Henry said.

What is known, he added, is that the restaurant generated $6,000 to $8,000 a day the first week after it opened.

Monsoon also generated considerable positive coverage by local food writers, many of whom were eager to see what type of commercial establishment Cost, a known perfectionist, would create.

Cost said his menu is composed of traditional Chinese dishes that are rarely, if ever, served commercially, and more interpretative foods based on the ingredients and preparation techniques of Southeast Asian countries, including Thailand and Vietnam.

NRN Photo

Monsoon chef Tony Gulisano, right, and co-owner and concept creator Bruce Cost, an author on Asian cooking, in their new Pan-Asian restaurant in San Francisco.

To help him execute his culinary vision, he hired executive chef Tony Gulisano, who was previously with Il Fornaio America Corp.

Gulisano and his kitchen staff use only the finest fresh ingredients and make everything from the chili-infused cooking oil to pickles, Cost stressed.

The controversial author and teacher said he expected Monsoon's approach to cooking to make it a standout because "I think the problem with Chinese restaurants, all of them across the board, is that they cut corners, especially in the area of staple goods."

Found on Monsoon's menu are items such as salad of chicken, white radish and jellyfish with scallion-oil dressing ($7.95); Chinese braised oxtail with radish and star anise ($13.95); and an "antipasto" plate of tea-smoked squab, Sichuan squid salad, pickled cucumber, eggplant, watercress and fresh water chestnut with sesame oil ($10.95).

In a whimsical salute to the West and White Castle "sliders," Cost has concocted "Chinese Hamburgers" consisting of steamed, ginger-seasoned beef patties on a "shaobing," a sesame seed bun, with special sauce and pickles ($6.50 for three).

By the end of the first week of business, Cost said, Monsoon was doing 130 lunches, with a per-person average of about $15, and 140 dinners at $25 to $30 per person.

Cost and Wong, who spent just $150,000 to mold Monsoon from the remains of an attractive but unsuccessful restaurant called Cloisonne, are projecting first-year sales of about $3 million, Cost said.

Even before the quake, the opening team at Splendido's was encountering problems: A construction delay forced management to hold training sessions "on folding chairs on the loading dock" and conduct wine tastings "using plastic beer cups," general manager Sarah Graves said.

According to her, the ground shaking "definitely made things tougher; I lost one of my managers, who is moving back to New York, and a waiter." The quake also slowed the momentum of construction workers, who "had to work on Saturdays and Sundays to get the restaurant open on time," and made it difficult for employees to commute to work, she said.

Though Splendido's was thrown off stride by the earthquake, it is likely to rebound well because of its association with Kimpton's company, which owns or manages some of the city's most successful restaurants, including Kuleto's, Masa's and Postrio.

Nationally acclaimed designer Pat Kuleto's involvement is also likely to generate consumer and media interest.

Splendido's combines Kuleto's vision of a "dwelling" consisting of architectural features from the lands bordering the Mediterranean — including a 1-ton pewter-topped bar from Portugal — and executive chef Christopher L. Majer's "contemporary" rendering of "Mediterranean flavors."

CORRECTIONS

"NRN opens Hot Line for design views," Nov. 20, page 2, transposed two digits in the number for the NRN Hot Line. In fact, it is 1 (800) 678-7711.

* * *

"Chef Szathmary urges creation of journeyman training program," Nov. 13, page 4, contained several factual errors.

The first name of Lewis J. Minor, founder of L.J. Minor Corp., was misspelled as Louis.

The date that the U.S. Labor Department reclassified executive chefs from domestics to professionals was incorrectly given as 1979. In fact, it was 1977.

The date of a speech by Louis Szathmary, formerly of The Bakery restaurant in Chicago, to an American Culinary Federation convention was incorrectly reported as 1977. In fact, it was 1974.

The honor given to Minor, Szathmary and John D. McLaughlin, former president of L.J. Minor Corp., was incorrectly reported as the first Chef Professionalism Awards.

In fact, the first Chef Professionalism Awards are scheduled to be given out next year. Minor, Szathmary and McLaughlin were honored by a plaque titled "Three Who Helped Gain Professional Status for American Executive Chefs."

In addition, the article omitted the names of ACF officials also honored by the plaque: Richard Bosnjak, Ferdinand Metz, Edwin Brown and Jack Braun.

* * *

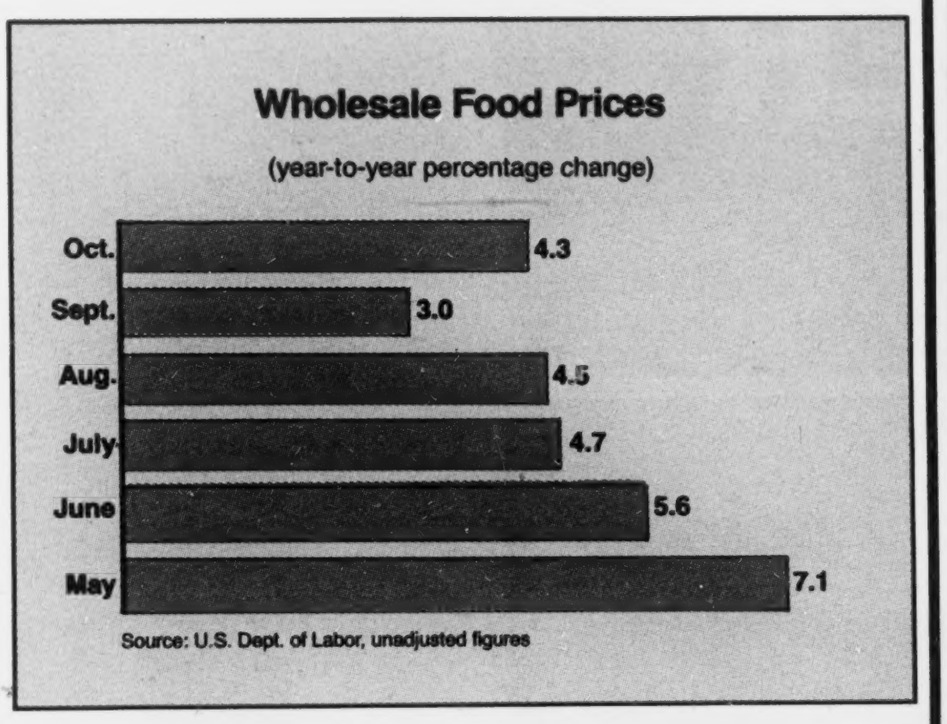
"Perkins Turnaround Leads to Expansion Drive," Nov. 6, page F14, was unclear about the ownership and management control of the chain. The article said it is owned by Tennessee Restaurants Co., which shares control with Perkins Family Restaurants L.P.

In fact, the chain is owned by Perkins Family Restaurants L.P., which is 50 percent owned by Tennessee Restaurants Co. and 50 percent owned by public investors. The chain is managed by Tennessee Restaurants Co. through a wholly owned subsidiary, Perkins Management Co. Inc.

FINANCIAL NEWS

Food costs post steady gain with 4.3% increase in October

by Milford Prewitt



WASHINGTON — Wholesale food prices held a moderate 4.3 percent year-to-year advance in October despite topsy-turvy rises and falls in the price levels of some major food categories, the U.S. Labor Department reported.

Pork, eggs, and dairy products continued double-digit price increases while turkey, processed young chickens, and fish slid the other way.

Economists do not believe the 4.3 percent rise signals a resurgence in what had been a generally inflating producer price index through most of the year.

In September, unadjusted producer prices of finished consumer foods rose less than 3 percent on a year-to-year basis — the lowest increase in six months — but were as high as 7.1 percent in May and 7.5 percent in March.

So far, in 1989, the PPI has risen at an annual rate of 5.2 percent, compared with a 4 percent increase in all of 1988.

Economists attribute the October price rise to increases in the early months of the year and oversupply commitments to food processors.

Pork led all food categories with a 15.7 percent increase in price, partially attributed to McDonald's voracious demands for the meat in rolling out the McRib sandwich to 8,000 restaurants.

McDonald's will require 20 million pounds of the nation's 320 million pound weekly pork slaughter, analysts said. But some economists are not certain if McRib alone is responsible for the surge in pork prices.

Bob Brown, an economist for Wilson's Foods, a major pork producer in Oklahoma City, said unlike previous industry patterns, 1989 has witnessed a disruption in the historic seasonal demand and supply pattern that has marked the pork industry.

"Typically, demand dropped during the summer and increased in the fall and it was always the fall when producers increased production in anticipation of the holidays," Brown said. "This year, that [increased production] has not happened even though demand is still strong.

"Production reached its peak in September and has been declining ever since."

Moreover, Brown noted that imports from Canada and Europe have slumped, contributing to the price rise.

Another food category rising as a result of too little production facing increasing demand is in the dairy segment, up by 11.1 percent.

Ed Coughlin, an economist for the National Milk Producers Federation, attributed the increase to cheese, butter and other food processors high demand for nonfat dry milk.

Coughlin believes a relaxation of export contracts to Mexico and the return to the United States from Germany of thousands of tons of dry milk — which the Germans were stockpiling in the event of nuclear war — will soften prices through the balance of the year.

One of the surprising food categories to soften in the most recent PPI was young processed chickens and turkey. In the case of the former, prices dropped 10.2 percent and 15 percent in the latter.

Ralph Parlett, an economist for the Agriculture Department, said chicken and turkey prices are slackening due to increased production capacity.

He said producers expanded capacity between 5 percent to 6 percent during the year to satisfy the demands of the large fast food chains that have added chicken products to their menus. Although demand is keeping apace with supply, demand has not been strong enough to trigger price rises.

Parlett noted that the price of broilers has dropped 22 percent year-to-year even though demand has remained strong.

"It's a case of supply catching up with demand," Parlett said.

Increased production is playing a role in the easing of turkey prices as well, Parlett noted.

Turkey producers have developed new turkey products, namely lunch meats, and have marketed the meat as a year-round bird rather than for special occasions.

Parlett further noted that turkey is also perceived as a low-cholesterol meat, an image that pressured manufacturers to gain market share at the expense of other meats.

FOOD PRICE OUTLOOK

Lettuce prices fall after strike ends

by Patt Patterson

Lettuce prices fell as workers returned to Bud of California fields in California and Arizona, following the settlement of a two-week strike at one of the nation's largest lettuce growers.

Reports of serious insect infestations in lettuce fields in Blythe, Calif., however, could mean higher prices in the late fall through early winter. Growers have asked state officials for an exemption on the use of a pesticide to combat the infestation.

Lamb and mutton inventories are down sharply from a year ago. Although production was up slightly and imports up strongly, demand is running ahead of available supplies. Expect prices to remain strong, possibly climbing prior to the spring lambing.

Despite still ample pork belly inventories, prices are up nearly 60 percent from last year at this time, and bacon prices have reflected the higher costs.

Pork prices are up about 15 percent over last year at this time, with no signs of an immediate letup.

Watch for higher frozen spinach prices. An average California fall pack won't be enough to rebuild inventories to normal levels.

U.S. frozen strawberry stocks are tight, with many packers selling only against prior bookings. Hope is high for a good Guatamalan crop (about January) and strong shipments from Mexico (late February). But these depend upon good weather and water availability.

Egg prices remain high, and there is no sign of immediate letup.

Broiler prices are running about even with last year about this time.

Green coffee bean prices are up a bit, but still hover in the low 70 cent range, at the lowest level in years.

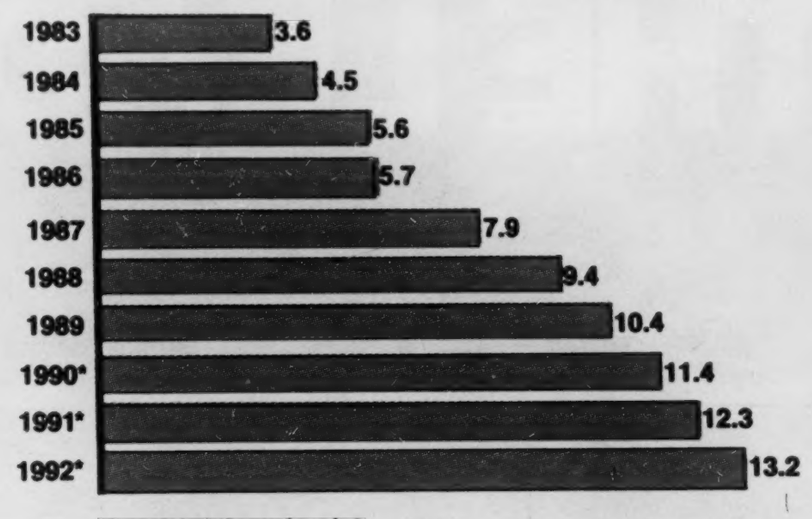
World cocoa prices are down to about half of what they were last year at this time. Price drops should show up in chocolate and chocolate-based confections.

NRN FACT FILE

A look at the statistics shaping the industry

Larger market share brewing for gourmet coffee

(total share of coffee market, in percentages)



FINANCIAL DIGEST

Oct. industry sales up 2.9 percent

WASHINGTON — Sales growth at the nation's restaurants and bars softened in October amid weak consumer retail spending, the U.S. Commerce Department said in its earliest gauge of the month's retail trade activity.

Sales grew 2.9 percent in October over the year-ago level, the slowest rate so far this year.

October's 2.9 percent gain followed a 4.6 percent pace in September and a 3.8 percent rate in August.

Taco Viva changes name to QSR, Inc.

FT. LAUDERDALE, Fla. — The operators of the Taco Viva chain have changed the name of the company to QSR, Inc. for Quick Service Restaurants and will begin trading its stock on NASDAQ under the symbol QSRI.

The company announced the name change in its first quarter operating report that disclosed a 7.8 percent drop in sales during the reporting period, but which did not discuss net income.

For the sixteen weeks ended September 17, 1989, sales totaled $4.6 million, a drop from the year-ago level of $5 million.

The company attributed the sales decline to start-up costs associated with Mr. Submarine shops.

QSR operates about 50 Taco Viva units in Florida and has been converting some of them into Mr. Submarine outlets.

Consolidated reports 24% income gain

INDIANAPOLIS — Consolidated Products, operators of the Steak n Shake restaurant chain, reported net income jumped 24 percent for the year ending Sept. 27 to $4.3 million on a 7-percent revenue gain to $99.8 million.

The company said same-store sales increases accounted for the improvement in profit and revenues.

Sandwich Chef posts 35% increase

BIRMINGHAM, Ala. — Sandwich Chef Inc. reported a 34.7 percent increase in first quarter profit to $165,000 on sales of $8.9 million. The sales volume represented a 4.5 percent jump over year-ago levels.

The company said same-store sales rose 4.3 percent in the quarter as a result of newer units and the attraction of remodeled outlets. The boost represented the seventh consecutive quarter same-stores sales have improved.

Sandwich Chef operates a string of 139 delicatessen-style sandwich shops under a variety of trade names including R.C. Coopers, Wall Street Deli, La Prima, Deli Fresh Express and Hudsons.

Canada warns against poison pill

OTTAWA — The Canadian government warned Canadian companies against the increasing use of poison pill defenses to thwart takeovers that infringe on the rights of their shareholders.

Frederick Sparling, director of business concerns, said he was particularly concerned about private share placements that involved commitments by the buyers of the shares to support the existing management.

He said corporations would be "taking a chance" in completing such a transaction without approval of their shareholders. He said an "oppression action" could be taken against the offending corporation by either his office or by shareholders.

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Vol. 23, No. 49 Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year December 4, 1989

Dunkin' deal ain't done yet

DD Acquisition mulls options

by Peter Romeo

RANDOLPH, Mass. — In the wake of Dunkin' Donuts' acceptance of a $325 million purchase offer from Allied-Lyons, an outbidded Canadian suitor has signaled that it may be unwilling to concede defeat.

DD Acquisition, the Toronto partnership that doggedly stalked Dunkin' for the last six months, said it would leave its $310 million proposal on the table to gain "adequate time to assess its alternatives."

"They could very well come back with a higher bid," said Roger Lipton, who monitors Dunkin' for the Ladenburg, Thalmann brokerage in New York. Analysts agreed that the nation's largest doughnut chain could fetch as much as $50 per share. Allied-Lyons, parent of the Baskin-Robbins ice-cream chain, has offered $47.

DD, which owns about 15 percent of Dunkin's shares, has been seeking to buy the rest for $45 each. About 34 percent of shares outstanding have been tendered, but DD has yet to actually acquire them because the transactions would trigger a "poison pill" defense, flooding the market with additional stock.

A new gambit by DD could dash the relief that Dunkin's management expressed after embracing Allied-Lyons' proposal.

"We're all really pleased that we can get back to building our

*(See **DUNKIN'**, page 73)*

Local pizzerias shun coupon wars

by Milford Prewitt

By staying out of the discount wars and concentrating on food quality and service, regional and small-chain pizza operators say they are prospering in spite of the national chains' blistering market battles.

"We know who we are, and we know who the competitors are and that allows you to establish a niche," said Roger Blanton, president of the 116-unit Peter Piper Pizza, Phoenix, Ariz. The company operates 34 of the chain's units.

"The nationals can afford to be everything to everybody, but we can't do that," Blanton said.

To be sure, not all small chains are faring well.

Just recently, Captain Pizza, West Peabody, Mass., a 20-year-old company that reached a chain high of nine units and whose pizza was lauded by The Boston Globe, folded. Five of the units are still in business under the same name but with unaffiliated management and concepts.

> "We're staying out of the promotions and concentrating on serving a high-quality product."

In some parts of the country, particularly the Northeast, scores of single-unit, mom-and-pop-type neighborhood pizza haunts have closed their doors permanently from the combined weight of hyper-inflated real estate and chain competition.

*(See **PIZZA**, page 4)*

Alabama debates liquor laws

Restaurateurs campaign for Sunday sales

by Jack Hayes

HOOVER, Ala. — A new battle for Sunday beverage sales is brewing in the Heart of Dixie, and the political leaders of this Birmingham suburb are innocently dumping yeast into the pot.

By drafting a Sunday liquor ordinance that isn't worth the price of a can of beer, the city council here has uncorked a turmoil, driving restaurateurs to push for a legislative rewrite of Alabama's beverage-licensing rules.

In particular, a set of antiquated definitions has forced operators to turn their restaurants into private clubs on Sundays just in order to serve alcohol.

"In 16 years I've never seen an issue get people together like this one," said Joe Lynch, who is the owner of two-unit Dexter's American Grill and was just named Alcohol Beverage Regulation Committee chairman of the Alabama Restaurant Association.

Lynch is charged with organizing the Alabama membership into a lobbying force that can persuade legislators — during an elec-

*(See **ALABAMA**, page 73)*

Hoover's new Sunday liquor ordinance sparks turmoil for its restaurateurs.

LA rules may snag deliveries

by Richard Martin

LOS ANGELES — Food-service distributors here, under constant pressure from restaurants to avoid lunchtime deliveries, now face the burden of a new ordinance banning most large trucks from city streets during morning and afternoon rush hours.

Restaurant operators and distributors fear the ban, the first of its kind in the nation, will pose hardships by compressing truck-routing schedules and forcing some businesses to accept off-hour and late-night deliveries.

"It's going to be a challenge," said Raimund Hofmeister, executive chef of the Century Plaza Hotel. "I cannot imagine getting deliveries after 11 a.m.," added Hofmeister, predicting the ban could have "a terrible effect" on restaurant operations.

Proposed by Mayor Tom Bradley last year to reduce traffic congestion and air pollution, the truck ban was approved by the city council last month and is expected to take effect by March. Under the law, trucks weighing more than 26,000 pounds will be barred from driving in the city on weekdays from 6 a.m. to 9 a.m and from 4

*(See **TRAFFIC**, page 73)*

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NRN HOT LINE

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Call the NRN Hot Line: 1 (800) 678-7711.

Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 23, No. 49 December 4, 1989

NEWS BRIEFS

Barney retires from Wendy's

DUBLIN, Ohio — Robert Barney has retired as chairman of Wendy's International, the fast-food company that he has nurtured for almost two decades.

The concern said it has no plans to name a successor to the 52-year-old Barney, who has focused in recent years on expanding Wendy's international operations. Jim Near, the drum major of Wendy's turnaround effort, remains president and chief executive of the 3,800-unit system.

A longtime associate of Wendy's founder, R. David Thomas, Barney stewarded the chain during its fast-growth days of the 1970s and '80s. He relinquished the chief executive's post to Near in early 1989, after holding the title for nine years. Barney was named chairman in 1982.

Domino's set to deliver catalogs

ANN ARBOR, Mich. — As part of an effort to tap new revenue streams, Domino's Pizza has disclosed plans to begin delivering shop-at-home catalogs along with its pizzas.

The free brochures will list video cassettes that can be bought from a mail-order business called Emmy, Emmy. Domino's will collect a commission on each cassette ordered from the catalog.

In the face of sluggish sales, the delivery specialist has been exploring new markets. For instance, Domino's has licensed the use of the Noid character, which stars in the chain's commercials. The Domino's name is also used on pizza-shaped bubble gum.

Sugarman's group lands Rally's seats

LOUISVILLE, Ky. — A group of dissident Rally's directors have prevailed in their attempt to seize a majority of the company's board seats.

The crew, which holds 42.5 percent of Rally's stock, has also strengthened its control of the fledgling drive-thru-only chain by winning rights to acquire as many as 1.5 million Rally's shares at $15 each. The stock has sold for more than $24 per issue since the company's initial public offering in mid-October.

Rally's extended the stock-purchase rights as part of its settlement with director Bruce Sugarman and his allies, onetime Chart House executives William E. Trotter II and James M. Trotter III.

As part of the arrangement, three of Rally's board seats were given to Sugarman's associates, Patricia Glaser, David Gotterer and Michael Tennenbaum. They replaced Thomas A. Dieruf, Charlotte Elam and C. Edward Glasscock.

In addition, Rally's dropped its lawsuit against the group.

Congress rescues TJTC extension

WASHINGTON — Congress has salvaged the Targeted Jobs Tax Credit by tacking a one-year extension of the popular tax break onto the deficit-reduction bill.

However, the House and Senate failed to reinstate a proposal rescinding the controversial Special Occupancy Tax, a seldom-paid tax levied on liquor sellers. Earlier this year the federal government suddenly began collecting the fees plus overdue charges and accrued interest. The move surprised many restaurateurs, some of whom received bills of more than $2,000 per unit.

Congress had sought to soften the blow by disallowing the penalties, noting that the government had not notified liquor sellers that they were expected to pay the occupancy charge. However, a measure rescinding the fees was stripped from the deficit-reduction bill in an effort to streamline its passage. The proposal was never reappended.

Dasburg leaves Marriott, joins airline

BETHESDA, Md. — John Dasburg has resigned as head of Marriott Corp.'s lodging division to join a number of former co-workers at NWA Inc., the parent company of Northwest Airlines.

The carrier was recently acquired in a $3.65 billion buyout led by Alfred Checchi, a Marriott alumnus. Fred Malik, a past president of Marriott's lodging division, is also a high-ranking officer and co-owner of the airline.

Dasburg's successor has not yet been named.

El Pollo Asado replaces founder

PHOENIX, Ariz. — El Pollo Asado, the grilled-chicken chain here, said it has replaced founder and chief executive Richard Lipson with Thomas Sawyer, a high-ranking marketing specialist for Burger King during the mid-1980s.

Lipson has also relinquished the post of chairman but remains a director, according to the company. Sawyer also has been given a seat on the board.

El Pollo, which lost $1.2 million for the first quarter ended in June, has been attempting to recover its profitability in part by converting the chain's fast-food poultry outlets into cafes.

Sherman resigns presidency of Nathan's

MELVILLE, N.Y. — Robert Sherman has resigned as president and chief executive officer of Nathan's Famous Inc. just six months after taking the job.

Nathan's chairman, Stuart A. Benson, assumed Sherman's position as chief executive. Wayne Norbitz, the former vice president of operations and executive vice president, was appointed president and chief operating officer.

Sherman's background is in finances rather than fast food. A onetime president of the retail brokerage group at Prudential-Bache Securities, he refused to comment on his resignation.

Benson said that the 52-year-old Sherman left to pursue other interests, including the possibility of going back to Wall Street.

Denny's rolls express lunch

IRVINE, Calif. — Family restaurant specialist Denny's Inc. has rolled out a national "Lunchtime Express" promotion, which promises patrons that their food will be provided free if it is not served within 10 minutes.

Available weekdays from 11 a.m. to 2 p.m., the Lunchtime Express menu features burgers, sandwiches and salads priced from $4 to $5. Servers provide stopwatches that customers can use to clock the preparation time.

Virtually all 1,000 of Denny's company units are offering the express lunch, as are many of the chain's 200 franchised restaurants are also wielding the traffick-builder, according to Sue Henderson, Denny's marketing director.

Mettle replaces Naccarato at Gordon's

ASPEN, Colo. — Steven Mettle, formerly chef de cuisine at Green's in Denver, has been named executive chef of Gordon's Restaurant here following the departure of namesake and co-owner Gordon Naccarato.

In addition, Rebecca Naccarato, a co-owner with her husband, Gordon, remains at the restaurant, in charge of her own Aspen operation, Rebecca's. A third owner of Gordon's is Bruce Paltrow, an an investor in the 72 Market St. restaurant in Los Angeles.

Mettle, a Culinary Institute of America graduate, has also worked at the River Cafe in New York under David Burke and the American Restaurant in Kansas City under Bradley Ogden.

Craig Maier succeeds father at Frisch's

CINCINNATI — Frisch's Restaurants, the 115-unit Big Boy and Roy Rogers franchisee here, said Craig Maier has succeeded his father, Jack Maier, as president.

The elder Maier remains chairman, Frisch's said.

The younger man, a 14-year-veteran of Frisch's, was previously executive vice president.

Rax promotes Hermann

COLUMBUS, Ohio — The Rax sandwich chain has given new president Ira Hermann a vote of confidence by promoting him to the additional post of chief executive.

To assume the new position from J. Pat Ross, Hermann has relinquished the title of chief operating officer. The vacancy in that office affords Hermann with an opportunity to deepen his management staff by bringing aboard another high-level officer.

Ross, who remains chairman, hired Hermann in May to reverse the 500-unit regional chain's sales decline. Hermann has been attempting to turn around the system by adding new menu items, focusing on operation efficiencies and offering franchisees an incentive to open additional stores.

Nation's Restaurant News

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NEWS

Ossip, of Assembly Steak House, dies

by Charles Bernstein

NEW YORK — Jerome J. "Jerry" Ossip, who was a restaurant innovator for 43 years and developed the Assembly Steak House into a segment leader amid the bitter competition of the New York market, died Nov. 15 of colon cancer. He was 69 and had been ill for several months.

A gray-haired six-footer with a commanding presence and a ready smile, Ossip sold the Assembly a few years ago and became a food-service consultant with his son Brad. But they and longtime partner Balfour "Bal" Golden repurchased it, remodeled it and then reopened it 13 months ago.

"The restaurant slipped badly under the previous ownership," said general manager William Bart, "but it came back nicely in the past year under Mr. Assembly [Jerry Ossip] and Brad."

As an Air Force photographic officer and captain, Ossip created the special K-20 camera and provided technical training. That enabled tail gunner George Caron, aboard the Enola Gay airplane, which dropped the first atomic bomb on Hiroshima in August 1945, to take the only usable photographs of the massive destruction. Ossip always viewed that feat with decidedly mixed emotions.

Ossip, a New York City native, received a B.S. degree from the University of Illinois and an M.B.A. from New York University. After serving in the Pacific for three years in World War II, he launched Brad's coffee shop in 1946. It was named after his young son and featured a then-unique U-shaped counter.

In the 1950s and 1960s, he pioneered salad bars and dessert bars — forerunners of the style that swept through the industry. He designed, owned and operated 26 restaurants during his career. Among the early ones were The Envoy in the Socony Mobil building here, the Guv'nor in the Lincoln Building, the Cattle Baron in the Edison Hotel and the Cambridge Inn at New Jersey's Garden State Plaza.

He, Brad and Golden negotiated Rockefeller Center leases in 1974 and developed the spaces into an array of eight diverse restaurants — the Assembly, the American Cafeteria, the Old Times Buffet, Greentrees Coffee House, Green Grocers Pantry, Burger Train, the Crepe Place and the Palazzo. The Assembly was the group's jewel, but it encountered tough times by the mid-1980s, when at least 25 other first-class steak houses had emerged in New York City.

A genial host who was on the restaurant floor, greeting his customers almost around the clock, Ossip was a friend of the business leaders, show people, sports stars and other celebrities who frequented the Assembly. They regarded him as "a man for all seasons."

Ossip set stringent food-quality standards, refusing to accept any products that were not 100 percent up to his demanding specifications. He delighted in doing Assembly commercials with his own voice on radio and television. He thus became a radio-TV personality as well as a restaurant personality.

He was active in charity and community causes and formerly was president of the National Democratic Club.

Ossip died at his home in Harrison, N.Y., in Westchester County, after fighting his illness from the time it was diagnosed as colon cancer in March. He remained active in his restaurant almost to the end.

Besides Brad Ossip, he is survived by his wife, Audrey; another son, Michael; a daughter, Dale Battaglia; two sisters, Sylvia Finn of Indianapolis and Rosa Zimbler of Chicago; a brother, Kenneth, of San Diego; and two grandchildren.

Pizzerias shun coupon wars

(Continued from page 1)

And even some of the giant chains are having their troubles.

Pizza Inn's parent, Pantera's, has been operating in Chapter 11, and some Wall Street analysts have speculated that Domino's is up for sale because McDonald's is gearing up to enter the pizza segment.

But in a year that has seen the national pizza chains engage in one of the most relentless couponing and discount barrages in memory, many small-chain operators insist they are maintaining steady sales growth and even expanding the sizes of their chains.

"I know this is going to sound self-serving, but we're having a sensational year," said Russell Lubliner, director of marketing for the 19-unit Edwardo's Natural Pizza Restaurants in Chicago, which bumps heads with the nationals in Illinois, Wisconsin, Minnesota and Indiana. "Based on the way our restaurants have been performing, I just don't believe the message of the big chains has gotten through to our customers."

"I'm glad they're having the pizza wars," said Bruce Taylor, president of Cybelle's Pizza, a 27-unit chain based in Oakland, Calif. "It's going to hurt them, not us."

"The big pizza chains have had little impact on my business," said Joseph Crugnale, president of Bertucci's, a 14-unit, $22 million, upscale, table-service restaurant chain based in Woburn, Mass. "If anything, we're taking business from them because people want a higher-quality product and good service."

Edwardo's, the Midwestern chain, is a full-service pizza restaurant with delivery and take-out. The typical unit seats 120 diners and has an average guest check of $10.

"You've got Domino's, which could be selling anything with its emphasis on speed, you've got Little Ceasar's Pizza selling quantity and bulk, and then you've got Pizza Hut going head-to-head with both of them with a product that certainly is not as good as ours," Edwardo's Lubliner said. "So I'm not seeing any impact on our business from the pizza wars."

Lubliner said the company does not coupon or discount — except on special occasions to attract business to a new store or a remodeled one — and is expecting record-breaking sales this year of about $15 million with improvements in comparable-store volume as well.

Lubliner broached the idea that restaurants like his — where dough is made on the premises and a fun atmosphere is maintained — attract new customers whose tastes have "graduated" out of the pizza chains.

"I think what happens in this business is customers' tastes mature," Lubliner said. "They see the ads of the big chains on television, and they grow up with that. But then they graduate beyond Domino's, and that's when they come to us."

Taylor, Cybelle's president, attributed improving same-store sales average and chain sales growth to excellent locations and maintaining the company's commitment to serve good-quality pizzas.

All 27 Cybelle units are in California, but they span a broad spectrum of sizes. Restaurants in the chain are as small as 350 square feet to as large as 6,000 square feet. Taylor estimated the average size at about 1,000 square feet and seats about 30 persons. The chain competes in all three segments of the pizza business, drawing about 50 percent of total volume from deliveries.

Like Edwardo's, Taylor said, the company refrains from couponing except as a once-a-quarter promotion and is looking to a 20-percent increase in sales from $7.5 million to $9 million. The sales boost was made without menu price hikes, he added.

"We're really staying out of the promotions and concentrating on those things that our customers have come to expect," Taylor said. "They know us for serving a high-quality product. All of our dough is hand tossed, and even our slices are made to order.

"Our sauce has a very distinctive, spicy taste associated with us."

Although two new units by Little Caesar's and Domino's have moved next door to two of Cybelle's established units and curtailed traffic, Taylor said his chain encounters the most market pressure from Round Table Pizza, the 170-unit full-service pizza chain based in San Francisco.

"I have to admit they have some tremendously good radio spots," he said.

Taylor's sensitivity to the market presence of Round Table, a chain that might be considered interregional but not necessarily national, is similar to observations made by other small chain operators who compete against such players as Mr. Gatti's in the Southwest and South or Papa Gino's in New England.

Small regional chain operators said that in some respects, Mr. Gatti's, Round Table, Papa Gino's and comparable companies are more formidable players than the national chains because these interregional companies spend more local advertising dollars and play a harder real estate game to keep the nationals out.

Some small and local chain operators in New England and the San Francisco Bay Area said they are protected by local moratoriums that prevent fast-food chain expansion in residential neighborhoods.

Blanton, the Peter Piper Pizza president, said his company competes against Mr. Gatti's and every one of the top four pizza chains. But like other regional chain operators, Blanton said adhering to the chain's concept has proven to keep customer traffic up.

"We're in some tough markets, and there isn't one where we don't compete against one of the big boys," Blanton said. "We're not having 30 or 40 percent sales growth, but we are quite healthy and our concept is strong." Blanton would not discuss the privately held company's sales and comparable-store performance.

Blanton described Peter Piper Pizza units as a full-service restaurant where "mothers don't feel the least bit guilty about letting their kids run all over the place."

He said the restaurant is stocked with video games and skeet ball to enhance the restaurants as fun place for a family. He also noted that a party of four could eat in his restaurants for as little as $20 but could spend as much as $45.

Other small-chain operators are fighting it out on the coupon front that so many of their peers abhor.

At Captain Tony's Pizza, a 16-unit, Rochester, N.Y., operator, the company has "declared war" with a coupon that honors Domino's or Pizza Hut coupons.

One of the best ways to avoid the pressure of the pizza battles, some operators believe, is to sell pizza without being part of the war. That's the tactic of Crugnale, president of Bertucci's.

CORRECTION

Fact File, page 14, Nov. 20, incorrectly portrayed the new $4.25-an-hour, two-stage minimum-wage law as a sharp setback from two previous minimum-wage proposals introduced in 1987 and 1988 and a third passed by Congress earlier this year but vetoed by President Bush. In fact, the new law is a considerable improvement over previous bills.

FINANCIAL NEWS

Year-end sales, profit jump prompt Uno Corp. expansion

by Milford Prewitt

BOSTON — Inspired by annual sales and profit that exceeded expectations, the Uno Corp. is looking to accelerate what was already an ambitious expansion bid for its Pizzeria Uno chain.

Net income for its fiscal year ending Oct. 1 jumped 56 percent, to $3 million, on a 37-percent year-to-year revenue increase, to $43.2 million. Fourth-quarter net income grew 60 percent year-to-year to a record $919,000 from $575,000 on sales of $12.4 million, a 26-percent boost.

Bob Brown, senior vice president of finance, attributed the encouraging annual results to a 4-percent menu price increase, a 7-percent jump in comparable-store sales and increasing traffic among company units 2 to 3 years old.

In explaining the menu price increase, Brown noted that Uno Corp. had been sensitive to the possibility of pricing itself out of the market. But he noted that the company succeeded in raising prices without any backlash by diligently sticking to the concept's reputation as an adult-oriented, full-service pizza restaurant with high-quality food served in a festive atmosphere.

"We've seen a pattern in our system where units seem to come into their own during the second and third year," Brown said. "It seems it takes that long to build up guest counts. Some stores in that age range have seen traffic jump by 20 to 25 percent.

"Older-line stores would not have experienced that type of sales gain. Their percent of growth was in the low single digits."

In a prepared statement, Aaron Spencer, chairman and chief executive officer of the company, said the company's rosy financial health will speed up the expansion of Pizzeria Uno units.

"Owing to the strong sales achieved among both newly opened company and franchise units, the company has decided to accelerate its growth in fiscal 1990 beyond its previous plan," Spencer said in a prepared statement. "We are now planning to open between 22 to 27 new restaurants in fiscal 1990, including 10 to 12 company-owned and 12 to 15 franchise units.

PIZZERIA UNO® RESTAURANT & BAR

> Brown expected that Pizzeria Uno will have three units in the vicinity of the nation's capital by the end of 1990.

"We continue to believe our modest price levels and value- oriented focus as well as our commitment to service excellence will allow the company to continue to report financial results consistent with our outstanding 1989 performance."

Brown, the financial officer, explained that the new units are slated for Boston and Long Island. He said six new company units will go up in Boston, where the company currently operates 12 Pizzeria Uno restaurants.

Brown also noted the company had examined the potential cannibalism that might occur with 18 restaurants concentrated in one market. But he said the increased exposure could only benefit the chain.

"I think we tend to believe that rather than have one unit that does $2.4 million, it's better to have two units that might do $2 million," Brown said. "The market is big enough to absorb it."

Washington, D.C., and St. Louis also will become areas of expansion for the chain he said.

"After Boston we're really looking at the New York metropolitan market after 1991," Brown explained. "That does not necessarily mean Manhattan. I don't want to put any numbers on it, but we believe the New York metropolitan area offers substantial opportunity for new units."

Brown said the company has two units on Long Island that enjoyed a 25-percent sales gain year-to-year. He said the Long Island units typified the sales burst Pizzeria Uno units experience after two to three years in the system.

He said Washington, D.C., is important to the company because it represents a new Northeast market the company has yet to penetrate. Brown expects that it will have three units in the vicinity of the U.S. capital by the end of 1990.

He called the St. Louis expansion plans a deviation from the company's previously stated intentions. But he said timely and propitious real-estate transactions the company negotiated in St. Louis and the familiarity of Craig Miller, Uno Corp's president, with the market prompted the chain to make an excursion into the Midwest.

"We don't see St. Louis as a major risk," Brown said. "We had the opportunity to contract for three excellent locations and with Miller's knowledge of the market, we really feel good about it."

At the end of Pizzeria Uno's fiscal year, it was a 64-unit chain. The company operated 26 restaurants, and the remainder were franchised.

FOOD PRICE OUTLOOK

Canned vegetable prices moving up

by Patt Patterson

The federal government's restrictions on canned mushroom imports from mainland China is pushing prices up both for imported and domestic canned mushrooms. Expect prices of 6/10 sizes to rise strongly into early next year.

The availability of fancy whole kernel canned corn is below normal, with price increases expected . . . Canned white potatoes are also on the short list . . . Fortunately, pea, green bean and carrot packs have been larger than last year's with prices expected to range from stable to slightly lower.

Most canned fruits are in better supply than last year's, with prices remaining stable. Pineapple is an exception, with somewhat higher pricing owing to lower imports from some countries, notably Thailand . . . Northwest purple plums are also in short supply, with prices moving up.

Frozen vegetable supplies are tighter, with prices stable to rising. Peas, green beans, corn, broccoli, spinach, cauliflower and potatoes are below average inventory levels.

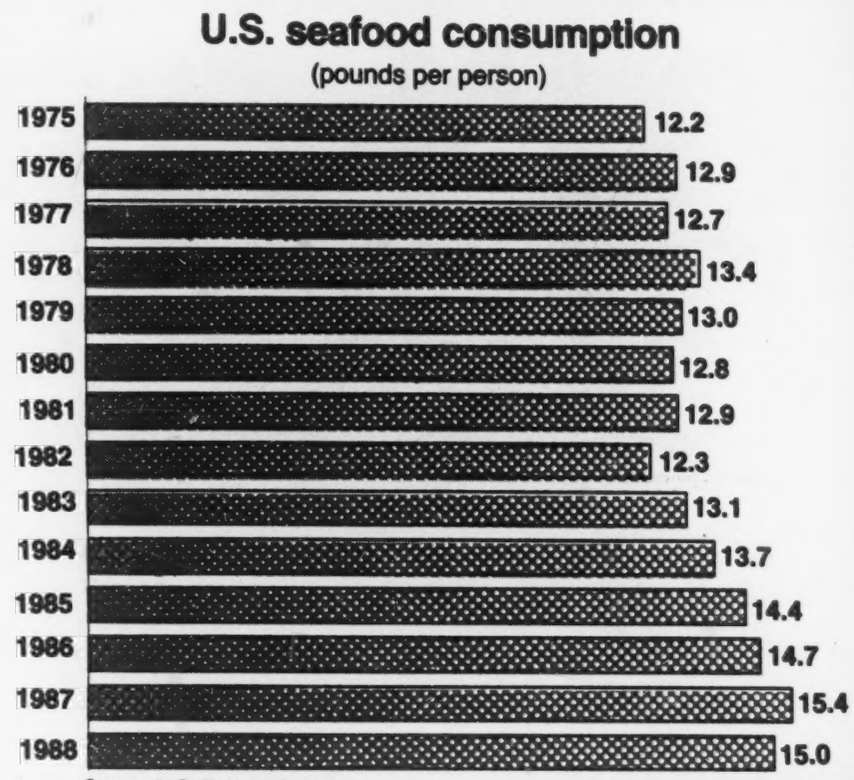
Frozen fruit supplies are mixed . . . Red cherry stocks are down, but prices remain below normal . . . Strawberry stocks are tight until Mexican shipments begin early next year, prices firm . . . Red raspberry stocks are normal, prices stable . . . Cultivated blueberries in good supply at lower prices, wild ones scarce and pricy . . . Apricot stocks up with prices stable . . . Frozen peach inventories down, but prices generally stable.

Additional increases in canned ham prices can be expected. Import supplies are down, and domestic ham prices have risen in step with hog prices . . . Broiler prices are expected to be stable through most of the winter, barring any unforeseen events . . . Frozen scallops are in tight supply, but reduced demand has resulted in prices stabilizing, at least temporarily.

California fresh vegetable prices have been lower through the end of November, with lettuce, broccoli, carrots, celery and cauliflower all running well below normal.

NRN FACT FILE

A look at the statistics shaping the industry



Source: U.S. Dept. of Commerce

FINANCIAL DIGEST

Income drops for Family Steak Houses

NEPTUNE BEACH, Fla. — Substantial increases in interest expenses were blamed for a 26-percent drop in net income for Family Steak Houses of Florida, a 24-unit franchisee of Ryan's Family Steak House.

Net income plummeted to $223,900 in the third quarter on sales of $11.2 million, a 28-percent increase over year-ago sales volume.

The company said interest expenses on loans to finance the purchase of new sites for construction contributed to the decline in third-quarter profit.

Ogden mulls spin-off of Allied Services

NEW YORK — Ogden Corp. is contemplating a spin-off of its contract-feeding and business-services division, Ogden Allied Services, according to Ogden Corp. chairman and chief executive Ralph Ablon.

Ablon raised the possibility at a meeting here with financial analysts. The company did not respond to requests for additional details.

Earlier this year Ogden divested another subsidiary by distributing shares in the spun-off unit to the parent company's shareholders.

Ogden Allied Services gathered food-service revenues of $241 million in 1988.

Rax Restaurants 1st-Q volume drops 6%

COLUMBUS, Ohio — Rax Restaurants Inc. announced that its first-quarter revenues declined 6 percent, from $29.1 million a year ago to $27.4 million for the period ending Oct. 30.

The company attributed the decrease to a new royalty calculation "designed to strengthen existing and prospective franchisees."

Sales trends for the first quarter improved over last year's average, with company restaurants showing a year-to-year average sales gain of 5 percent with franchisees showing a 4-percent decline.

Recent product introduction, including a grilled-chicken sandwich — which accounts for 12 percent of total food sales — and Twisty Fries have contributed to the improving same-store sales average, company officials said.

Collins Foods reports strong 2nd quarter

LOS ANGELES — Sizzler Restaurants operations were credited with a 14-percent increase in net income and a 2.3-percent increase in revenues at Collins Foods International.

For the second quarter ending Oct. 15, net income was $7.7 million vs. 6.7 million for the comparable time period last year.

Revenues jumped more modestly, from $$127.3 million to $130.2 million. The company singled out its Sizzler Restaurants, Gino's East of Chicago and Ed Debevics for much of the boost in revenues.

The company's Kentucky Fried Chicken division experienced lower profits compared with the prior-year levels, but in the light of declining poultry prices, Collins is looking for improving performance in 1990.

Collins Foods operates 209 KFC units and, through its Sizzler Restaurants, operates or licenses 647 restaurants.

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 23, No. 50 Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year December 11, 1989

NRA: Sales to firm slightly in 1990

by Peter Romeo

WASHINGTON — The sales sluggishness that hobbled restaurateurs this year will ease slightly in 1990, with demand for away-from-home meals likely to grow by 1.8 percent, compared with 1989's 1.5-percent rise, according to the National Restaurant Association.

However, the trade group's annual sales forecast indicated that competition for 1990's scant real-sales gain would also intensify as droves of new contenders, particularly casual full-service places, enter the marketplace.

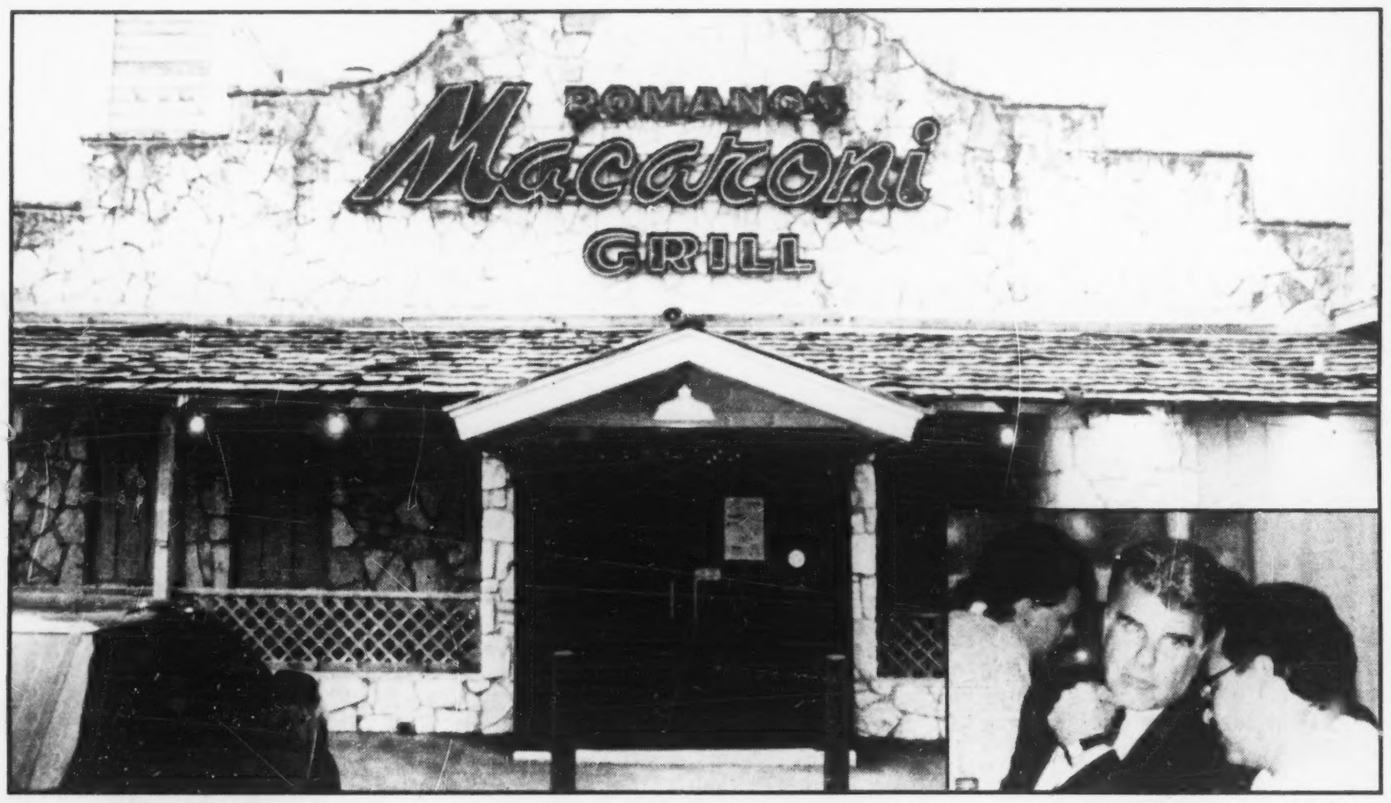
"More and more table service establishments are competing in a market where demand is not increasing rapidly enough for an increasing number of establishments to enjoy real growth," the association noted.

What's more, the NRA predicted that labor expenses would escalate at a 6.5-percent clip, exceeding the 4.4-percent pace that operators mournfully clocked in 1989. Profits will also be pinched by "double-digit" rises in garbage-disposal fees and a moderate hike in utility bills, according to the group.

"Property insurance rates could increase at higher-than-inflation levels due to damage from Hurricane Hugo and the California earthquake," the association's forecast warned.

But the impact on profit margins will be tempered by a deceleration of food costs, the NRA said. It forecast that wholesale prices will rise at a 3.5-percent rate during 1990, for an appreciable slow-

(See NRA, page 4)



NRN Photo

Romano's Macaroni Grill in San Antonio, Texas. Inset: Phil Romano, left, chats with a customer.

Mangia, amigos! Chili's acquires Italian dinnerhouse

by Tracey Taylor Woodard

SAN ANTONIO, Texas — Chili's Inc. has acquired all rights to Romano's Macaroni Grill, a local Italian restaurant created by Fuddrucker's founder, Phil Romano, for 152,000 shares of Chili's stock, or about $4.5 million.

Exploring a niche dominated by General Mills' Olive Garden, Chili's has armed itself with a 200-seat restaurant featuring wood-burning ovens and rotisseries, made-from-scratch pastas and jug wines.

Chili's vice president for strategic development Lane Cardwell said the company hopes to open a second restaurant in either Dallas or Houston within the next year.

"It was too good to pass up," Cardwell said. "Obviously we weren't in the market for something like this, but sometimes you have to go faster than you planned.

The move in no way reflects a

(See CHILI'S, page 77)

Carvel melts for $80M offer

Chain sold to investment firm

by Bill Carlino

YONKERS, N.Y. — Carvel Corp., parent of the 700-unit soft-serve chain known for its creative ice-cream products and no-frills TV spots featuring founder Tom Carvel's gruff voice, has been acquired for about $80 million by Investcorp Inc., an international investment bank.

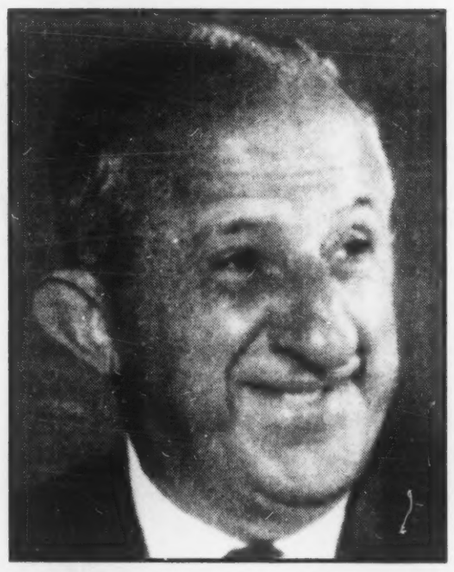
"Many companies had conducted sale conversations with Mr. Carvel over the years, but we were there at the right time," said Robert Glaser, a member of Investcorp's management committee.

"Basically, what we're looking to do is to revitalize the chain and bring it into the '90s."

In a prepared statement, Tom Carvel, 83, said that he agreed to the acquisition because "of its [Investcorp's] intentions to perpetuate and expand the Carvel chain."

Carvel, who began the company in 1934 as a one-man trailer operation in Hartsdale, N.Y., had owned about 90 percent of the company since he took Carvel Corp. private in 1977.

The chain's patriarch will remain with the company as a consultant for two years. It was not disclosed whether he would continue his familiar role as the chain's gravelly voiced TV and radio spokesman.



Tom Carvel

The Carvel Corp. suitor, Investcorp, is composed of 400 shareholders, including government members of Bahrain and other Middle Eastern countries.

Among its present holdings, Investcorp owns Dellwood Foods Inc., a New York-based milk

(See CARVEL, page 76)

California agents seize stolen avocados

by Richard Martin

ESCONDIDO, Calif. — California Avocado Commission agents, deputized by the state Department of Food and Agriculture, are raiding restaurants throughout Southern California and confiscating tons of black-market avocados.

Leaders of the task force, based at the DFA office here, said the crackdown was prompted by sharply escalating pilferage from the groves of the state's beleaguered avocado farmers, who produce 90 percent of the national harvest.

Much of the haul of purloined avocados is being sold to restaurateurs for bargain prices, tipping the auditing raiders that the fruit has not passed through the certification process mandated by state law.

"We made a bust at a restaurant a few months ago for 1,600 pounds and found [the restaurant] had paid 23 cents a pound when the market price at the time was 85 cents," explained Donella Boreham, supervisor of the DFA's avocado certification and anti-theft programs.

Forecasts that 1990 will mark

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What do you think of NRN's new look?

Nation's Restaurant News maintains a toll-free, 24-hour telephone line to gather feedback from our readers.

This week we are soliciting opinions on our new look. We want to know what *you* think, pro and con, about our new graphics and typography.

When you call the NRN Hot Line, an answering machine will ask for your opinion. If you like, you may leave your name and phone number so that we can confirm your statement for publication.

Call the NRN Hot Line: 1 (800) 678-7711.

Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 23, No. 50 December 11, 1989

NEWS BRIEFS

Laughery relinquishes post to Prather

ROCKY MOUNT, N.C. — Hardee's chairman Jack Laughery is loosening his rein on the regional sandwich chain by relinquishing the chief executive's title to second-in-command Bill Prather.

Prather, who will continue to serve as president, will assume his new duties on Jan. 1. He joined Hardee's about four years ago, after serving in several high-level posts at Burger King.

In a related move, Laughery has also disclosed plans to shed his chief executive's post at Fast Food Merchandisers, Hardee's distribution business. That title will be assumed by Bob Autry, who will remain president, according to the chain. Autry reports to FFM chairman Hugh Todd.

Laughery, 53, had served as chief executive of the burger chain for 16 years. During his tenure the chain grew from 750 units to its present tally of 3,300.

Laughery will remain on the board of directors for Montreal-based Imasco Ltd., Hardee's parent company.

Domino's refutes stories about staff strife

ANN ARBOR, MICH. — Domino's Pizza has denied news reports alleging that headquarters morale has been sapped by tensions between some staffers and members of a religious group that has been supported by the pizza system's owner, Tom Monaghan.

Stories appearing in Crain's Detroit Business and The Detroit News said that the alleged friction could affect Monaghan's efforts to sell his pizza empire. Quoting unnamed sources, the articles reported that Monaghan had filled jobs at his campuslike corporate center here with 225 members of Word of God, a zealous Catholic sect. However, the journals noted that most of the church members were employed by a holding company that was operated separately from Domino's.

The news reports appeared about one month after Domino's laid off more than 100 staffers in an effort to cut costs. Monaghan revealed recently that he is exploring the possibility of selling the chain.

Canadian lawmakers seek lower tax

OTTAWA — A legislative committee has advised the federal government to temper the impact of a proposed national goods-and-services sales tax by implementing a 7-percent levy instead of the 9-percent surcharge that the prime minister favors.

Canada's food-service industry has argued that consumers would sharply curtail their restaurant expenditures if menu prices suddenly jumped by 9 percent. The Canadian Restaurant and Foodservice Association has predicted that the tax would cost the trade more than $1 billion in lost sales.

The direct sales tax — the nation's first — is scheduled to take effect in 1991.

Stillman unveils French bistro

NEW YORK — Alan Stillman, operator of such well-known restaurants here as Smith & Wollensky and Manhattan Ocean Club, has added a French bistro to his fold with the opening of La Cité.

The place is among a number of dining establishments that have been unveiled in recent months by well-known restaurateurs. Michael McCarty recently fired up the ovens of Michael's, a clone of his acclaimed establishment in Santa Monica, Calif. And David Leiderman, founder of the David's Cookies chain and operator of Chez Louis restaurant, is putting the finishing touches on a new restaurant in the Holiday Inn Crowne Plaza here.

KFC tests credit system for delivery

COLUMBUS, Ohio — Kentucky Fried Chicken is permitting patrons of the chain's home-delivery service here to charge their meals on Visa or MasterCard credit cards.

"All that's needed is a signature," said KFC vice president Tom Tullio, who is supervising the test.

In addition, the charge plates can be used to pay for meals purchased within the 25 KFC units participating in the trial program. The city is also serving as the test market for KFC's home-delivery service.

In-N-Out forces EZ to change name

BALDWIN PARK, Calif. — In-N-Out Burgers, the 56-unit chain that pioneered the drive-thru-only concept 40 years ago, has forced a copycat operation to change its name and the design of its logo type and uniforms.

In-N-Out dropped its trademark-infringement suit against EZ Out Burger when the six-unit franchise chain, based in Upland, Calif., agreed to call itself EZ Take Out Burger and make the other modifications by mid-January.

Rich Snyder, president of In-N-Out, vowed to keep other operators "from using what we believe is a deceptive knockoff of our name or copying our uniforms or generally copying our trade dress."

Administration eyes 'user fees' for inspections

WASHINGTON — In a move that could hoist seafood costs, the Bush administration is planning to implement a "user's fee" to fund a more thorough inspection by the Food and Drug Administration of fish and shellfish intended for human consumption.

It is unclear whether the fees would be levied on fishermen, seafood wholesalers or retailers such as restaurants. In any case the end result would likely be an increase in costs.

The government is eager to have the FDA inspect more of the nation's seafood supply. At present only a small percentage is checked for contamination — a fact often pointed out by consumer advocates.

However, the FDA has been pinched by the government's efforts to close the budget deficit. The user-fee system being contemplated would generate an estimated $5 million.

National sells, leases 19 stores

HOUSTON — National Convenience Stores, operator of the Stop-N-Go convenience-store chain, said it has generated $16 million in cash by selling and leasing back 19 units.

The stores were tendered to Metric Income Trust Series, a real-estate investor. National secured a 20-year lease.

The company said the proceeds would be used to reduce debt. National has been striving to bolster sales after losing money last year. One component of the plan calls for the use of well-known brand names within the Stop-N-Go chain's food-service operations.

Dairy Mart inks deal for 141 Stop-N-Go units

ENFIELD, CONN. — Dairy Mart Convenience Stores, a 1,200-unit convenience-store chain, said it has agreed to buy 141 units of the competing Stop-N-Go system from Sun Co. Inc.

The agreed-upon price was not disclosed.

The Stop-N-Go stores are located in Ohio, Michigan, Indiana and Kentucky, Dairy Mart said. It noted that those markets are next to areas already peppered with Dairy Mart outlets.

The deal is scheduled to close in March, the would-be buyer said.

Minn. group names Naegele president

MINNEAPOLIS — William Naegele, 47, a veteran restaurateur here and a key board member of the National Restaurant Association, has been elected 1990 president of the Minnesota Restaurant Association.

As owner of Naegele's Restaurants, he operates Lord Fletcher's on the Lake, The Beanery Cafe, Grandaddy's and the Wharf in the Twin Cities area.

Starting in the early 1970s, he also launched and operated Pracna on Main, Forepaugh's, Grapes and Herman's Steak House, D.B. Searle's, Amalgamated Eating and Drinking Company Underground, Jose's, Naegele's and Burma Shave in the Twin Cities area.

Naegele previously was vice president and co-owner of the Naegele Outdoor Advertising Co., starting in 1968. He has been a Minnesota Restaurant Association board member since 1972. He was treasurer and held other offices during the 1980s.

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NEWS

Restaurants Unlimited launches Mediterranean concept in Seattle

by Alan Liddle

SEATTLE — Wood-fired ovens and a rotisserie, a curved cooking line and "tiered service" are among the key elements of Palomino, Restaurants Unlimited's new "Euro-Seattle Bistro," company officials said.

Palomino, which opened on the third floor of a downtown Seattle office and retail tower earlier this month, seats 360 and serves Northwestern foodstuffs prepared with a Mediterranean flair. Developed at a cost of about $2.5 million, company sources said, Palomino is the first Restaurants Unlimited venture to feature a focused culinary theme.

"It was no fun to build, but it is spectacular to look at," James M. Welch, Restaurants Unlimited's senior vice president of development, said of Palomino's curved walls and exhibition line and its coved ceilings.

Palomino is a triple concept, featuring a bar, cafe and restaurant. Each component has its own menu and, said Welch, enough individual design elements to create a distinctive personality that eliminates the need for walls.

Red is the dominant hue in the new restaurant's color scheme, and marble is the trim of choice: Four different types are used throughout the decor for a variety of surfaces, including table tops, bar tops and the floor.

Part of Palomino's dining room looks out over a three-story atrium.

Among the foods found on the Palomino menu are a pizza topped with spit-roasted chicken, red peppers, onions, plumb tomatoes, fresh Mozzarella and Grama Parmesan ($8.95); wood-fired oven-roasted Bodega Bay steelhead with fresh tarragon, parsley, shallots, garlic and lemon ($10.95); and paella of Penn Cove mussels, Manila clams, prawns, Dungeness crab, chicken, chorizo and saffron rice ($12.95).

Most entrées are accompanied by a risotto and baked, mixed vegetables.

Appetizers include a focaccia with fresh Mozzarella and Gorgonzola cheeses, pine nuts, fresh basil and red onions ($5.50).

Patrons in search of sweets can choose from such desserts as baked apple in puff pastry ($5.50) and white chocolate ice cream topped with espresso, whipped cream, chocolate shavings and chocolate-covered espresso beans ($3.50).

The Restaurants Unlimited menu development team and Palomino kitchen staff were greatly influenced by the time they spent at La Sacrastea, one of the oldest pizzerias in Rome, company officials have said.

Senior general manager Don Adams, who played a major role in creating Palomino, said the concept requires a crew of 123 people. Chef Michael Herstine oversees about a third of the staff, he indicated.

Adams said he believed Palomino to be the only contemporary, midpriced restaurant in Seattle utilizing a "tiered" service format in which a two-person team waits on a six-table section.

Under the tiered system, he said, a "back" server "immediately" greets customers as they are seated, pours water, moves orders from the kitchen to the table and clears dishes. The "front" server solicits cocktail orders, gives a brief description of the day's specials, takes orders and, in general, "is not to leave the floor unless it is to get a drink from the bar," Adams explained.

"A single server can provide good service but not great service," he said, talking up the advantages of the tiered approach.

Seattle-based Restaurants Unlimited operates 21 full-service restaurants in seven states and operates or franchises more than 120 Cinnabon bakeries nationwide. Chairman Rich Komen has said he expects the company's restaurants and the bakery chain to report total 1989 revenues of about $100 million.

NRA predicts slight rise in sales in 1990s

(Continued from page 1)

down from this year's 5.1-percent gait.

That moderation will hold menu price increases to 4.4 percent next year, compared with 1989's average hike of 4.6 percent, according to the association.

Overall, it said, food-service sales will climb next year by 6.2 percent, to $241.3 billion. Stripping away the anticipated effect of higher menu prices yields a real or inflation-adjusted growth projection of 1.8 percent.

"For the tenth straight year, the industry will experience real — if slight — growth," noted Susan Mills, who drafted the forecasts in consultation with Malcolm Knapp Inc., the New York food-service research concern. "That's despite the fact that the economy is softening."

The NRA's Foodservice Industry Forecast is slightly less optimistic than the industry's other leading sales prediction, which was issued several months ago by the International Foodservice Manufacturers Association. Its Forecast and Outlook foresaw a 2-percent climb in real sales.

In past years IFMA has tended to be overly pessimistic, while the NRA has erred in the opposite direction. In 1988 the former predicted that real sales would rise during 1989 by only 1.2 percent. It recently revised that figure upward to 2.8 percent.

A year ago the NRA forecast that the industry's inflation-adjusted intake would grow during '89 by 2.2 percent. The just-issued Foodservice Industry Forecast adapted that assessment to 1.5 percent.

The NRA expected sales to grow at a faster rate in 1990 largely because of an anticipated slowdown in the purchase of big-ticket durable goods, particularly vehicles. It cited an "imperfect" yet "interesting" inverse correlation between dining out and the purchase of cars and small-bodied "light" trucks.

"In March 1989 purchases of new cars and light trucks jumped almost 19 percent from the prior months," the association's forecast said. "The proportion of adults who were food-service patrons on a typical day was off 7.4 percentage points."

In August "car and light truck sales leaped 13 percent," the report noted. "At the same time, food-service patronage declined 5.7 percent."

To pay for the new vehicles, consumers spent less in restaurants, according to Mills. "It doesn't seem that sales of consumer durables will be as strong next year," she said.

Segment-by-segment sales forecast for 1990

	1990 sales (billions)	% of change, '89-90 real	% of change, '89-90 nominal
Fast-food restaurants	$ 70.38	3.0	7.4
Full-service restaurants	77.19	1.0	5.4
Ice cream, frozen-treat outlets	2.18	2.8	7.2
Commercial cafeterias	4.36	0.6	5.0
Social caterers	2.25	3.4	7.8
Bars, taverns	9.00	(4.3)	0.3
Food contractors	14.61	3.9	8.4
All commercial establishments	213.93	1.9	6.3
All institutional places	26.21	0.9	5.0
TOTAL FOOD-SERVICE INDUSTRY	241.28	1.8	6.2

Source: NRA's Foodservice Industry Forecast.

Fast-food restaurants will continue to outperform the food-service trade as a whole in 1990, snagging nearly half of the industry's increase in customer visits, the NRA predicted. It forecast that the quick-service segment's real sales would climb by 3 percent. Nominal sales will jump by 6.2 percent, to $147 billion.

"However," noted the Foodservice Industry Forecast, "fast food as a segment has become more vulnerable due to higher menu prices and a slowdown of service at peak times. In addition, coupons and other promotions are being offered nearly nonstop to generate traffic."

Customer counts at full-service restaurants will rise next year by 1 percent, after creeping upward by 0.7 percent in 1989, the forecast predicted. It attributed that acceleration in part to a surge in the popularity of casual restaurants, noting that such places generated a 7.5-percent spurt in traffic between 1986 and '88. "This trend will continue to contribute to sales growth well into the next decade," it said.

In contrast, the report asserted, "upscale restaurants with a more formal atmosphere have been troubled by the change in consumer attitude," with "free spending" yielding to "comparative frugality."

"Due to the popularity of frozen yogurt and demand for premium ice cream," frozen-treat specialists will snare about 2.8 percent more traffic than they drew this year, according to the NRA. Only two social caterers and fast-food operators will enjoy faster real-sales growth, the statistics indicated.

Social caterers' inflation-adjusted sales will jump next year by 3.4 percent, making that market the industry's fastest-growing segment, according to the data. Total sales are projected to top $2.25 billion.

The NRA admitted that it is perplexed by the sales softness that continues to stymie commercial cafeterias. The serve-yourself places are expected to generate only 0.6 percent more traffic in 1990 than they did this year.

"The economic performance of cafeterias continues to be puzzling as they are well-positioned to take advantage of consumer desire for food variety, value for the price, and absolute control over the composition of the meal," the association said. "Major drawbacks could be standing in line and the perceived time it takes to do so."

The prospects are much better for noncommercial cafeterias, according to the NRA's study. It foresaw a 3.9-percent rise in real sales for contract feeders, who manage "captive" feeding facilities for a variety of businesses and institutions.

College-and-university feeders will garner 6 percent more traffic than they did in 1988, while airline caterers will enjoy a 5.7-percent rise in real sales, the NRA said. Health-care operations will serve 4.4-percent more meals in nursing homes and hospitals, while business-and-industry contractors will feed 3.5-percent more patrons.

FINANCIAL NEWS

Menu price hikes steady; supermarket inflation up

WASHINGTON — The gap between the rate restaurateurs and grocers are raising their prices widened for the first time in six months during October, with food-service operators continuing to hold the line on menu price hikes while supermarket inflation rose after declining since May.

According to the U.S. Labor Department's Consumer Price Index, prices for food away from home rose at an unadjusted, year-to-year rate of 4.6 percent in October, down slightly from 4.7 percent in September.

Restaurants have held menu inflation in the 4.5-percent-to-4.7-percent range all of 1989, government statistics show.

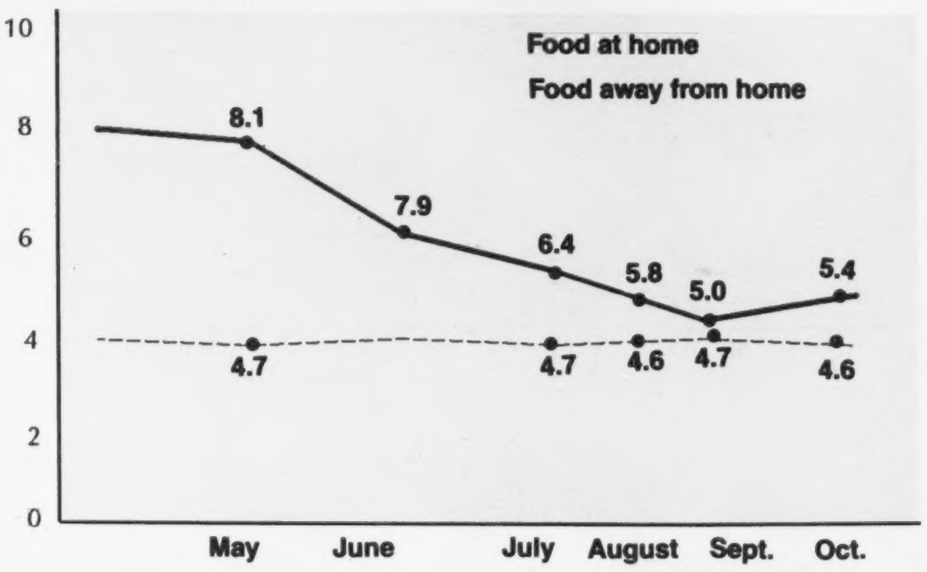
Meanwhile, supermarket inflation rates turned north again after easing for five straight months. Prices for food at home rose at a 5.4-percent year-to-year clip during the month, up from the September rate of 5.0 percent but lower than the August level of 5.8 percent.

On the nation's supermarket shelves, the price of dairy products continued to climb, rising 7.6 percent year-to-year, up from 6.6 percent in September and 5.8 percent in August.

Cereal and bread product prices increases slowed to 7.5 percent, from 7.9 percent in September and 8.1 percent in August.

And year-to-year prices for meats, poultry, fish and eggs were up 4.8 percent, from 4.7 percent and 4.3 percent in the previous two months, respectively.

Gap widens between supermarket price hikes and menu price increases
(unadjusted year-to-year percentage change)



Source: U.S. Labor Department

Study: Hotels again suffer profit loss

by Milford Prewitt

PHILADELPHIA — Improved hotel operations and reduced payrolls did not help to offset the lodging industry's fourth consecutive annual profit loss in 1988, according to the U.S. Lodging Industry 1989 annual report.

Conducted by Laventhol & Horwath, accounting and consulting specialists in the hospitality industry, the typical hotel's loss fell from $748 to $429 per room last year, the smallest since 1985.

The most recent loss is smaller than in any year since 1985, when the median loss was $56.

As an industry, U.S. hotels have not turned a profit since 1984 when they made $481 a room/

The median 1988 room rate was $55.26, down 4.5 percent from $57.84 the previous year. Average occupancy rose from 65.3 to 66.3 but was still below the industry's estimated break-even level of 68 percent.

Despite the 1988 performance, lodging analysts were upbeat about the industry.

"The lodging industry has had several rough years but is finally showing some signs of recovery," said Thomas W. Lattin, Laventhol & Horwath's national director of hospitality advisory services. "Progress in labor productivity, in particular, has helped many hotels improve their bottom line."

As a group, U.S. hotels reduced payroll expenses from 37.9 percent of total sales in 1984 to 33.7 percent. On $20,593 — the industry's average annual per-room sales — the industry saved $680 per suite.

The report noted that hotels operated by large chains performed the best. They had the smallest losses, $230 per room.

Chain hotels produced $7,400 per room in revenue, compared with $5,517 for chain-owned, $5,059 for chain franchised and $4,726 for independents.

But Saul F. Leonard, Laventhol & Horwath's national partner for leisure time and gaming, noted the large chains are challenged by high development costs.

FOOD PRICE OUTLOOK

Outlook for dessert lettuce good

by Patt Patterson

Growers in the Southern California and Arizona dessert areas are expecting larger production of lettuce this winter if everything goes well. Yields are expected to be larger than last year's. In some areas, like Yuma, Ariz., growers are said to be planting about 10 percent more acreage in lettuce.

The only clouds on the horizon are the threat of whitefly in the Imperial Valley and Yuma areas plus the leaf minor in the Blythe area. Cold weather could hold back those threats.

Canned tuna prices may rise. For the past six months, world catches have been down, and open market pricing has risen. Many importers have been moving imports right into bonded storage to await the tariff lowering on January.

Cheese prices have climbed to record levels, with prices for American Cheddar about 30 cents a pound higher, manufacturers' bulk f.o.b., than in the first quarter of this year and higher at wholesale.

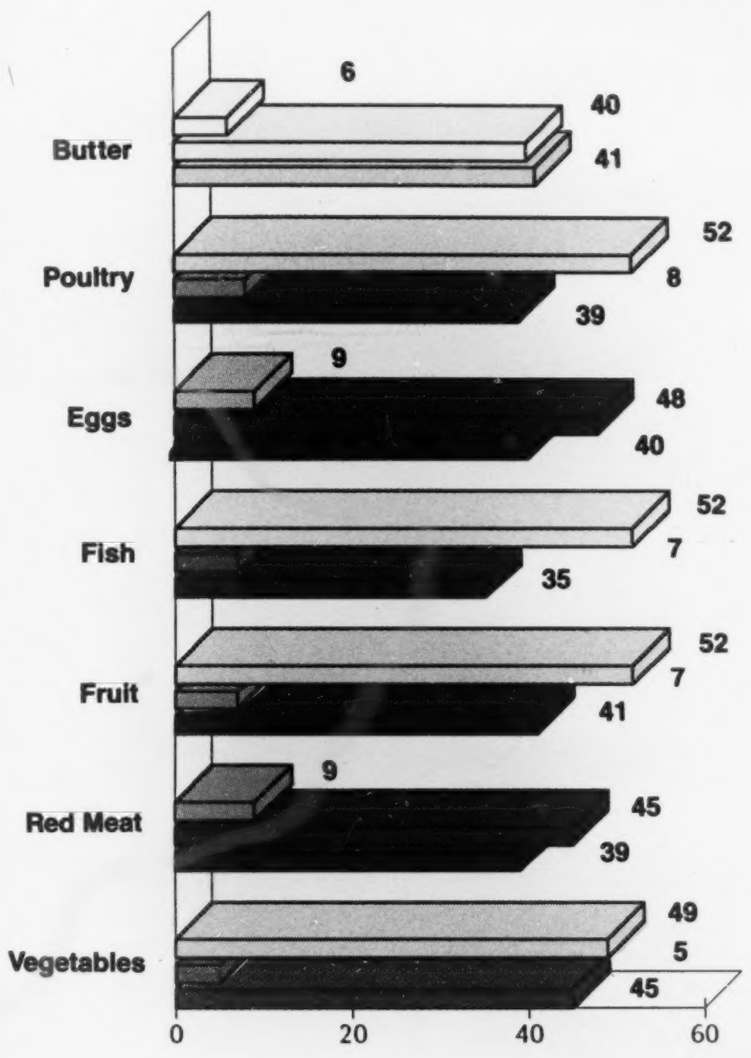
Fresh asparagus prices are expected to be moderate for the winter season. Chile, Argentina and Peru are all reporting good crops, and exports to the United States are increasing . . . Canned asparagus stocks are about 10 percent above normal, with prices drifting lower.

Although the dried bean harvest was up 25 percent over last year's and is running about 5 percent higher than normal, prices have not dropped in proportion. Some observers feel costs will drop further in late winter to early spring . . . The fall potato crop was up marginally, but stocks were down nearly 25 percent below normal. Prices for fresh and frozen potatoes may rise farther.

NRN FACT FILE

A look at the statistics shaping the industry

Eating more or less the same of . . .
(In percentages, asked of 1,000 people in a phone poll)



Source: Market Facts TeleNation, Chicago

FINANCIAL DIGEST

Panchos' earnings drop despite sales gain

FORT WORTH, Texas — Citing industry price cutting and increases in food and labor costs, Pancho's Mexican Buffet said fourth-quarter profits plummeted 29 percent, to $712,206, despite a 4-percent increase in year-to-year sales, to $17.9 million.

For its fiscal year ended Sept. 30, Pancho's earnings fell 7 percent, to $3 million, despite a 7-percent increase in revenues, to $65.9 million, from the year-ago tally.

In addition to continued industry discounting and increased operating costs, the company blamed the slump in net income on higher insurance and tax expenses and the cost of opening seven new restaurants. Pancho's said it plans to open eight new restaurants during fiscal 1990.

Shato completes Winchell's acquisition

LA MIRADA, Calif. — WDH Services Inc., an operating partner of Winchell's Donut Houses L.P., has completed the sale of Winchell's Donut Houses to Shato Holdings Limited for $40 million.

The company said Winchell's unit holders have approved the dissolution and liquidation of the partnership.

In connection with the liquidation, the holders of Winchell's Class A shares will receive a liquidating payout of about $3 per share.

Pepsico vet named KFC financial officer

LOUISVILLE, Ky. — Martin Redgrave, a nine-year veteran executive of Pepsico, has been named senior vice president and chief financial officer of Kentucky Fried Chicken.

Redgrave had spent five years at Taco Bell as senior vice president and chief financial officer and more recently as vice president and general manager for the company's Northern Division.

Before joining Taco Bell, Redgrave was vice president of finance and chief financial officer of Pepsi Food Service International and assistant corporate controller for Pepsico Inc.

Redgrave holds an MBA in finance from New York University and a BA in economics from Princeton University.

He becomes the third executive from Pepsico or one of its divisions to assume a top-level spot at KFC's headquarters here. Earlier this year John M. Cranor was appointed president and chief executive officer, and Bill McDonald, a 10-year Pizza Hut veteran and marketing director of the Frito Lay division of Pepsico, was named senior vice president of marketing.

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 23, No. 51 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | December 18, 1989

Party caterers battle stingy holiday market

Operators offer flexible party packages as corporate planners seek to cut costs

by Peter O. Keegan

Faced with tight budgets, economic uncertainty and soaring liability costs, companies around the country are turning to savvy restaurant, hotel and catering operators to help them get more bang out of their holiday bucks.

In response to increased competition for fewer corporate parties, operators are offering more flexible party packages, more off-premises services and exotic venues.

"Many companies are cognizant about throwing money around in a bad year," said Kathleen Doeller Dreger, general manager of Continental Catering in Phoenix, Ariz., "and they are being extracareful about spending too much."

"Some of our best clients aren't doing anything this year," she said, "and are giving out turkeys to employees."

Off-premises caterers are taking a bigger chunk of the multi-billion-dollar holiday entertainment pie this year as thriving companies seek exciting venues and struggling firms opt for parties catered at the office.

"We have seen an enormous rise in in-house parties this year," said Chip Fisher of New York's Fisher & Levy caterers. "People are cutting back on restaurant and hotel parties because of bad business this year and instead are turning to caterers like us."

On-site or special-venue parties can cost as much as $100 per head in some cities, while off-premises caterers can put together an office party for as little as $15 per person. An additional financial lure of in-house company parties to owners is their 100-percent deductibility, which is allowed by the government if all employees are in attendance.

"We're seeing a rise in demand for off-premises catering," said Pat Queen, director of catering at Chicago's The Como Inn. "We are doing more parties at companies themselves and at private homes this year."

Queen reported that Chicago corporations are spending more money than they have in the past few years, shelling out 10 percent to 15 percent more than in 1988.

"Things were tighter last year than this year," Queen reported,
(See CATERING, page 96)

Holiday catering strategies

Special venues: museums, cruise ships, skating rinks, old warehouses, mansions, old movie houses, railroad trips.
Traditional: hotel ball rooms, restaurants, nightclubs, banquet halls (buffet, sit-down or appetizer parties).
At the office: Cold platters or hot buffets served in lunchroom or conference room. Company or caterer supplies alcohol.
Theme parties: Christmas around the world, Nutcracker, Babes in Toyland, safaris, Christmas in Rio.

Coping with chaos of New Year's Eve
See page 4

NRN Photo

Keith Famie, chef-owner of Les Auteurs, Royal Oak, Mich., in construction zone that will become an addition to his restaurant.

Famie Chicken: Will it take wing?

by Carolyn Walkup

ROYAL OAK, Mich. — People used to think that Keith Famie, chef-owner of the hot Les Auteurs bistro and winner of several prestigious awards, had a lot of grandiose ideas that would never be realized.

Famie, 29, set out a few years ago to become rich and famous in his chosen profession. He does not yet admit to being rich, but his fame has spread far beyond Detroit's northwestern suburbs. And he's working on increasing his wealth, not through fine dining, but through fast food.

Fast food may seem incongruous for a chef named to Food and Wine magazine's annual listing of
(See FAMIE, page 96)

General Mills to test Oriental concept

Seeks new dinner-house niche

by Rick Van Warner

ORLANDO, Fla. — Searching for a third concept to help fuel long-term growth, General Mills Restaurants is launching an Oriental dinner-house test here.

The company is seeking to tap an unexploited niche with a homegrown concept, as it did successfully with 170-unit The Olive Garden.

An initial full-service restaurant, which analysts and insiders said is under construction on International Drive in the heart of the area's tourist attractions, will likely offer reasonably priced Oriental cuisine tailored to mainstream tastes.

General Mills vaults into the 1990s

Focus begins on page 31

In March a two-year noncompete clause General Mills has with Minneapolis-based Chinese restaurant operator Leann Chin expires.

The agreement, inked when General Mills sold the 16-unit Leann Chin's Chinese buffet and take-out chain back to its namesake founder in March 1985, pro-
(See GENERAL MILLS, page 97)

INSIDE

From the '80s into the '90s
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Let them eat cheesecake
Page 11

HOLIDAY NOTICE

Because of the holidays, Nation's Restaurant News will not be published next week, Monday, Dec. 25.

Our next issue will be Monday, Jan. 1.

We wish all of our readers and advertisers the happiest of holidays and a prosperous new year.

Franchisees take KFC to court over contract

by Milford Prewitt

LOUISVILLE, Ky. — Just one day after Kentucky Fried Chicken's top executive officer and franchisee leaders met to discuss the system's controversial new contract, the licensees went to court to kill it.

In the strongest move yet of a system bordering on revolt, KFC's franchisees filed a 38-page complaint in the U.S. District Court here, charging KFC with breach of contract and asking the court to issue an injunction to block the 1989 standard franchisee operating agreement.

The action came after KFC president John M. Cranor met for the first time with the franchisees to candidly defend the contract. The meeting follows nearly four months of discord between Louisville and its franchisee community over several terms in the 1989 agreement and other events that have strained KFC's relationship with its licensees.

Earlier Cranor said he was looking forward to the meeting and was hoping that the licensees would see that the new agreement was a recipe for future prosperity for all those connected to the KFC system.

But Bob Peck, president of the Association of Kentucky Fried Chicken Franchisees, said he called Cranor personally two days after the meeting and told him that, based on the tone of the discussion, the franchisees' contract steering committee decided it had no option but to go to court.
(See KFC, page 96)

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This week we are soliciting opinions on our new look. We want to know what *you* think, pro and con, about our new graphics and typography.

When you call the NRN Hot Line, an answering machine will ask for your opinion. If you like, you may leave your name and phone number so that we can confirm your statement for publication.

Call the NRN Hot Line: 1 (800) 678-7711.

Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 23, No. 51 December 18, 1989

NEWS BRIEFS

Pizza Hut tags Winchell's units for conversion

WICHITA, Kan. — Pizza Hut is buying a "substantial" number of Winchell's Donut House units in Southern California for conversion to delivery-and-carryout outlets, sources at the Pepsico-owned company said.

Officials at La Mirada, Calif.-based Winchell's declined to say how many of outlets are being sold. The 638-unit chain, which was acquired for $40 million last month by Shato Holdings Ltd. of Vancouver, Canada, has about 300 shops in the Los Angeles area.

The deal is scheduled to close this month, with conversion slated to begin early next year. Currently, only about 60 Pizza Hut delivery kitchens are in California.

The chain's 6,000 restaurants nationwide include more than 1,500 delivery-and-carryout branches, which are similar to Domino's outlets. Pizza Hut has also retrofitted delivery facilities in more than 800 restaurants.

Launched by Pizza Hut in 1986, delivery now generates more than 20 percent of its $3 billion annual sales. The chain's last major West Coast expansion was the 1987 purchase of about 100 Straw Hat Pizza units from Marriott Corp.

Vincent Sardi seeks to repossess his NY landmark

NEW YORK — A group led by Vincent Sardi is trying to regain control of the legendary Sardi's restaurant here after a judge ruled the current owners had missed a payment on a note.

"We're in the process of trying to regain our collateral," said David Garelik, an attorney for Sardi and related parties. "We're doing whatever any creditor does when there's a default."

The current owner, Sardi's Inc., purchased the restaurant in 1986 for $6.2 million, with a cash down payment of about $1 million.

Howard Rubin, an attorney representing Sardi's Inc., said the company is trying to find someone to buy the restaurant.

Sardi's has long reigned as a popular dining spot for theatergoers. At one time it was also a popular haunt of actors and actresses from nearby Broadway playhouses.

Ninfa's parent buys Atchafalayas

HOUSTON — Rio Star Foods, operator of the Ninfa's dinner-house chain here, has purchased the Atchafalaya River Cafe restaurants for an undisclosed amount, according to seller Richard Tannenbaum.

Tannenbaum had been looking for financing to expand the four-unit, Louisiana-style seafood chain for more than a year.

Rio is the parent company of Ninfa's Inc, which operates 12 Ninfa's Mexican restaurants and owns or franchises 17 Bambolino's Italian Drive-Thrus, primarily in Houston.

The Atchafalaya restaurants are in Houston and Dallas.

Burger King's operating income climbs in summer

MIAMI — Although Burger King posted flat operating income for the full year ended Sept. 30, the chain rallied during the final three months, boosting pretax profit by 24 percent year over year, according to Grand Metropolitan.

The disclosure provided the first measure of Burger King's performance since London-based Grand Met acquired the chain in January.

The British company did not reveal Burger King's actual sales and profit figures. However, executives disclosed that the fast feeder's full-year "trading profit" — the British equivalent of operating income — virtually equaled the tally for the comparable fiscal period. Grand Met also specified that trading income shot upward during the July-through-September quarter.

Del Taco rolls fish tacos

COSTA MESA, Calif. — Anwar Soliman's California-based Del Taco fast-food chain has introduced a $1.49 fish taco at all 325 of its units.

The item consists of a deep-fried, crumb-coated fish wedge in a soft flour tortilla with shredded lettuce, diced tomato and a mayonnaise-based sauce.

Recently added to the menus of Mexican dinner-house chains such as El Torito, fish tacos are also appearing in innovative guises at upscale independent restaurants, especially in the San Diego area.

The San Diego-based Rubio's Deli-Mex chain helped popularize the trend with its hot-selling adaptation of the authentic fish tacos sold in port towns in the Mexican state of Baja California.

McCarty cuts prices at original Michael's

SANTA MONICA, Calif. — Michael McCarty has slashed menu prices by 33 percent at Michael's, the renowned California-French restaurant here that he recently duplicated in New York.

With the addition of the more moderate menu, prices at both restaurants range from $14.50 to $24.50 for such entrées as Norwegian salmon with tomato vinaigrette, naturally raised chicken with roasted peppers and grilled Maui onions, and Florida swordfish with Pommery mustard cream sauce.

McCarty's dishes formerly fetched from $24 to $32 at his Santa Monica flagship, reputedly one of the most expensive restaurants in California. A spokesman there said the change was made "to bring in more customers." Michael's appetizers, previously $10 to $16, cost $8 to $14.50; desserts that were $9 to $11 are now $7 to $10.

Spurned suitor persists in Dunkin' pursuit

TORONTO — DD Acquisition, the Canadian partnership that has been struggling in vain to acquire Dunkin' Donuts, said it is leaving its spurned bid on the table even as Dunkin' and its "white knight," Allied-Lyons, attempt to complete their merger.

Dunkin' has accepted a $325 million friendly purchase offer from Allied-Lyons, operator of the Baskin-Robbins ice-cream chain. Nevertheless, DD said it was extending its $310 million stock bid while it evaluates "alternatives" to its rejected proposal. Some analysts have speculated that DD may sweeten its bid.

DD was formed by Toronto businessman George Mann and Canadian food-service giant Cara Operations to acquire Dunkin'. The doughnut chain has steadfastly rebuffed DD's advances.

Retailer buys Dallas restaurants

ST. LOUIS — Edison Brothers Stores, a retailer based here, said it has purchased a controlling interest in Dave & Buster's, the operator of two Dallas restaurants of the same name.

The investor said the two outlets generate a combined $10 million annually. It did not disclose additional details.

Edison Brothers operates footwear and clothing stores.

Westwood Group plans low-priced trattoria

BOSTON — Westwood Group, an operator of 18 full-service restaurants here, is falling in step with the move toward more casual dining by opening a moderately priced trattoria called Papa Razzi.

The place will feature pizzas, pastas and salads, with average checks likely to fall below $15, according to Westwood.

Many of the area's white-tablecloth restaurants have been suffering from a slowdown in traffic, mirroring the situation in fine dining throughout the nation. Boston operators tie their woes to a slowdown in the area's computer industry.

Coniston closes TW takeover

NEW YORK — After faltering in earlier attempts to finance the deal, Coniston Partners has completed its acquisition of TW Services, operator of Denny's, Canteen, Quincy's Family Steakhouses and El Pollo Loco.

Coniston, an investment partnership based here, had acquired 80 percent of the foodservice conglomerate earlier this year through a stock tender offer. However, completion of the takeover was stymied by unacceptance of high-yield "junk bonds" that Coniston issued to pay for the deal. The would-be purchaser was forced to restructure its debt package by investing more equity, relying more heavily on bank loans and paring down the amount of the bond float.

After that realignment TW's minority shareholders agreed to tender their shares for either $34 in cash or $30 in cash and one share in the purchaser.

The deal immediately makes Coniston one of the nation's largest foodservice operations.

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NEWS

Coping with New Year's Eve chaos

Operators increase staff, simplify menus to ensure smooth sailing on busiest night of the year

by Bob Seligman

The crush of New Year's Eve business may present service problems for restaurants, but establishments are taking various steps to keep the food and drink flowing and the revelers happy.

Dec. 31 is one of the busiest nights of the year for restaurants. For example, Carlucci, a dinner house in Chicago, normally does $10,000 to $15,000 on a high-volume night. But on New Year's Eve, it will usually do $15,000 to $20,000. This year it expects to do $25,000 to $28,000 in business as it expands its normal seating capacity from 250 to 290.

That extra business can sometimes lead to slipshod service.

"You can always find examples of it," said Joseph Carlucci, president of his namesake restaurant. "They're [restaurants] trying to take advantage of the traffic. They're not trying to do too much."

"There's no question that restaurants are trying to maximize the seatings," said Glenn Comp, general manager of Masons, a tablecloth establishment located in the Fairmont Hotel in San Francisco. "We [restaurants] do take certain chances."

But those chances can be lessened, if not totally eliminated, through proper planning. Restaurants increase their staffs, decrease the size of their menus and give waiters and waitresses smaller serving stations. Fixed-price dinners may also help the evening go smoother for workers and customers.

Carlucci has two seatings on New Year's Eve, both with preset menus that have a greatly reduced number of items. There are three pastas and three entrées instead of the usual 10 of each. Desserts are reduced from six to two.

"If you have too many menu items, it causes an expediting nightmare in the kitchen," Carlucci said. "A lot of these things we can prepare in advance and then plate and serve.

"You have to be quick and maintain your standard of execution and quality control," Carlucci said. "We still have the challenge of putting up good food at a much faster pace than usual."

Carlucci's New Year's Eve fare includes entrées of rolled stuffed roasted veal, a fish dish that will be either swordfish, salmon or whole snapper and a Florentine T-bone steak. The pastas are black fettuccine with shrimp, radiatori pasta with taleggio cream sauce with broccoli and mafaldine with porcini mushrooms.

S.O.B.'s, a New York dinner house noted for its New Year's Eve party, is ringing in 1990 with a prepaid, price-fixed dinner that also has a limited menu. Co-owner Debbie Barall said it eliminates the worry of waiters having to collect money.

"When you have a price-fixed and a limited menu, the quality of service and food goes up," Barall said. "Chefs are dealing with a limited menu, which makes things easier for them. When everything is paid in advance, customers and employees are more relaxed."

In order to keep things relaxed, staffs are increased. Tivoli Restaurant, a tablecloth establishment in Arlington, Va., adds four additional waiters. Tapestries, a tablecloth restaurant in Greenwich, Conn., adds two to three additional waiters, depending upon the final reservation count. The Original Seafood Shantys, a 14-unit seafood dinner-house based in Bensalem, Pa., keeps track of how much extra help will be needed.

"You always want to give good service," Carlucci said. "Adding another three to four waiters and a food runner is a necessary expense. You don't want to compromise any of your serving principles to compensate for a couple of salaries."

Food servers are usually given smaller serving stations on New Year's Eve, especially when restaurants like Carlucci are trying to "comfortably sit" five people into a table that would normally sit four. Tapestries generally gives its waiters and waitresses three tables, instead of the normal three to five. Masons reduces the load to four tables instead of six or seven.

"It gives better service," said Roger Carriero, general manager of Tapestries. "It's what people want and what we expect to give them."

Darling enlisted to take Arby's helm

(Continued from page 3)

fond of Roberts and supportive of his goal — are taking a wait-and-see posture until the battle is over.

"We've weathered storms much worse than this. We've seen Arby's come and go through bankruptcy and everything else," said David Lovern, controller with the 15-unit franchisee B.W. Streeter Inc. in Fairfax, Va. "Right now we have restaurants to run; that's where we have to put our attention."

Roberts has rallied a group called A.P. Association, amounting to a majority of the Arby's franchise system, and has pledged to lever the chain away from Posner and his company, DWG Corp.

But with Posner's refusal to sell Arby's, Roberts' success will depend on the outcome of a federal trial in Cleveland, where New York-based Granada Investments Inc. is suing to buy DWG from Posner for $572 million.

Granada indicated it would sell the Arby's side of DWG to the franchisee group, R.B. Partners, should the court ruling favor Granada. And R.B. Partners, which had earlier bid $200 million for Arby's, said it would reinstall Roberts as president if that comes about.

But many franchisees are saying they can't afford to have their attention diverted by the continuing Arby's struggle.

"Everybody is in a wait-and-see attitude," said a West Coast franchisee, who requested anonymity.

Barney quits as chairman at Wendy's

(Continued from page 3)

was persistent and tenacious, and he had that even-keeled personality. He complemented Dave very well."

"He was extremely popular among franchisees," Bernstein said. "He knew most of them personally."

But those friendly relations were strained when Barney's team blundered in the mid-1980s. The chain rolled out a breakfast program that featured made-to-order omelets. The menu proved to be an operational nightmare, slowing service to a crawl and leaving a bad impression of Wendy's in many consumers' minds.

Headquarters also embraced several ineffective marketing programs, leading to a rapid change in campaigns and agencies.

Sales plummeted, franchisees went bankrupt and the chain cut its payroll several times. Management responsibilities were also reshuffled.

In 1986 Near was named president of Wendy's, succeeding Ron Fay, who retired. Near, who co-founded the Sisters Chicken & Biscuits chain with Barney, assumed the chief executive title from Barney in January.

In announcing his retirement, Barney commented in a prepared statement that "the transition of management direction to Jim Near is complete. I'm very confident that the company's future is in good hands."

"Maybe he's ready to take it easy for a while," Bernstein said. "He's worked his whole life. Maybe he wants to play golf for a while."

Barney entered foodservice at age 26, when he purchased the Bobcat, a full-service restaurant in the college town of Athens, Ohio. Initially, the place scraped along, pulling in about $150 per week.

"I saw I didn't want to be in the full-service restaurant segment," he recalled in an interview more than two decades later.

But Barney struck gold when he began to promote the chicken that he sold at the restaurant under a licensing agreement with a white-suited Southerner named Col. Harland Sanders; sales multiplied tenfold, and Barney saw a mother lode waiting to be mined.

Barney asked Sanders for a larger territory to sell his chicken. The colonel directed the young licensee to Thomas, another franchisee. Together, Thomas and Barney introduced many Ohioans to Kentucky Fried Chicken.

Barney opted for a corporate career track. He accepted a job as general manager of Kentucky Fried Chicken's Columbus operations, rising within three years to vice president of the chain's Midwestern region.

He left the job in 1970 to buy the Indianapolis franchise of Arthur Treacher's, a then-fledgling fish and chips chain that largely dissolved in the early 1980s. Treacher's convinced its new licensee to move back into headquarters operations, hiring Barney as executive vice president.

In 1971 Thomas coaxed his former partner back into the field by offering Barney the presidency of a two-unit chain that Thomas founded two years earlier. The concept bore the name of Thomas' daughter, Wendy.

"Bob Barney really forced me into Wendy's full tilt," Thomas recalled years later.

Many of the ideas hatched during Barney's salad days at Wendy's have resurfaced as possible sales boosters for the chain.

For instance, Near is wagering that the system can lure more children by spotlighting small-sized "junior" burgers. In the early 1980s, soon after Barney was appointed chief executive of Wendy's, the chain tested a bite-sized burger as part of a then-new children's meal.

At the time Wendy's was eyeing a fish sandwich; at the company's stockholders meeting in April 1989, executives said they were considering the addition of a fish sandwich that sold well during a Lenten trial run.

Similarly, the taco salad became a signature product for Wendy's early in Barney's era. Wendy's "reintroduced" the product recently in a push for drive-thru business.

FINANCIAL NEWS

Captain D's sales boost prompts unit expansion in '90

by Milford Prewitt

NASHVILLE, Tenn. — Lower fish prices, a reduction in labor costs and a moderate rise in menu prices have helped Captain D's Seafood chalk up a 5-percent jump in both systemwide sales and comparable-unit volume.

A division of Shoney's Inc., Captain D's recorded chainwide volume of $400 million for its fiscal year ending Oct. 31. Comparable-store volume grew from $630,000 to $660,000, a rate of growth that allowed the quick- serve seafood chain to retain its distinction as the operator with the highest-volume units in the quick-serve seafood segment.

Captain D's, which runs 352 of the chain's 610 units, occupies the same segment as Jerrico's Long John Silver Seafood Shoppes and National Pizza's Skipper's. Although Long John Silver shares a few Southern markets with Captain D's, the Shoney subsidiary does not compete against Skipper's in any markets. Skipper's, based in Bellvue, Wash., however, operates 216 units of a 240-unit system and has recently announced a strong expansion bid.

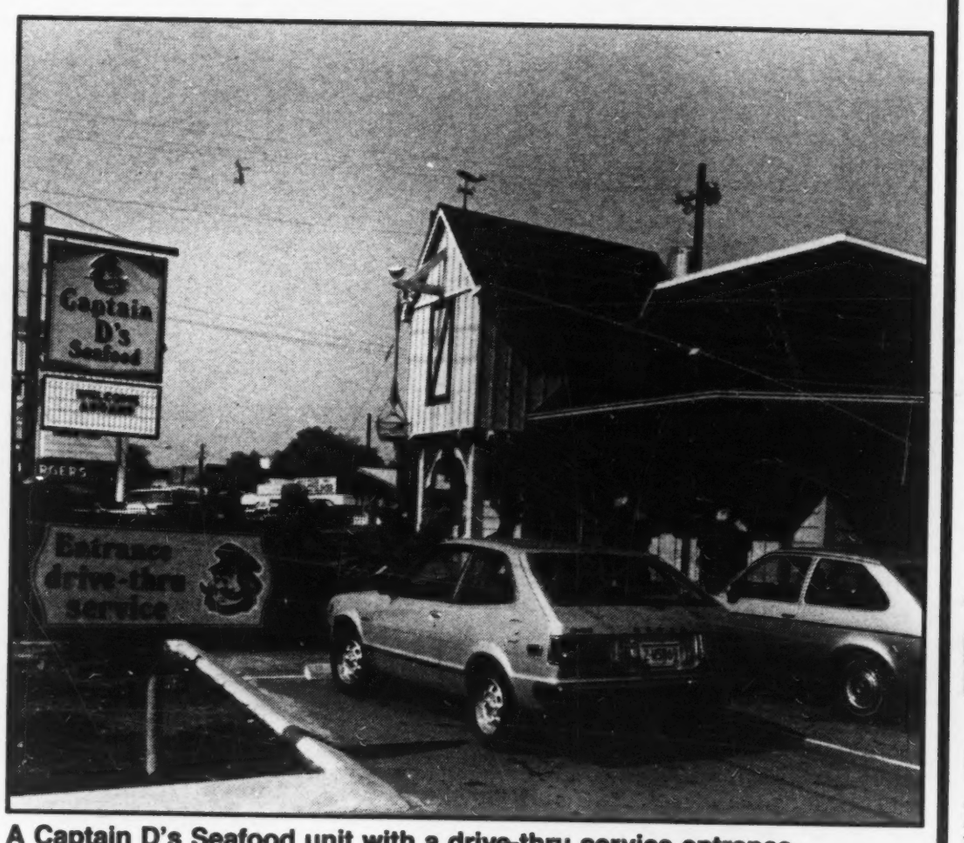
Mike Arnold, president of Captain D's, attributed some of the company's growth in 1989 to a 2.5-percent rise in menu prices, for a real gain of 2 percent overall.

Arnold, who has been at Shoney's for 15 years but head of Captain D's for one, credited a larger portion of the company's 1989 performance to a series of successful operational and marketing programs that have encouraged the company to expand the chain during 1990 in existing company markets.

He said Captain D's will grow by 31 units next year, and about two-thirds of the new outlets will be franchisees.

"I think we've got everything in place and everything going for us to have an even better year next year," he said. "We're really making our own niche."

The niche Arnold made reference to is Captain D's increasing addition of baked fish to its menu. Baked-fish items currently account for 10 percent to 12 percent of the menu mix but based on customer reception will probably go as high as 20 percent in 1990, Arnold said.



A Captain D's Seafood unit with a drive-thru service entrance.

"I think we have to offer baked products," Arnold said. "The customer is starting to demand them."

In two related menu moves, Arnold said, the company has added shrimp scampi and seafood pasta and is eliminating hamburgers altogether.

He said the shrimp scampi is the most expensive item on the menu, at $4.49. The average per-person ticket at Captain D's is $4.

Meanwhile, Arnold said Captain D's would unveil its drive-thru-only units in 1990. He said the motive for the new unit — which will include a walk-up window for pedestrians — is the company's 50-percent sales volume at existing units from the take-out market.

"We're really excited about it because we're dealing with a building with much lower investment costs, which can be put up pretty quickly and attract traffic," Arnold said. "We believe that the drive-thru is the wave of the future."

Arnold said the Captain D's of the 1990s would be a company focused more on catering to an older customer. Up until last year, he said, the company's typical customer base had been 18 to 49 years old. But Captain D's is beginning to formulate marketing plans for the 25- to 54-year-old age group. One of the age-focused marketing plans that has already paid dividends, he said, was Captain D's senior-citizen discount program.

In looking back over his one year at the helm of Captain D's, Arnold said making the kitchen operations simpler was the goal of which he is proudest.

"I said from the beginning I wanted to simplify our kitchen operations," Arnold said. "That meant getting a lot of supplies pre-prepped and taking a lot of items off the menu.

FOOD PRICE OUTLOOK

Canned pink, red salmon prices down

by Patt Patterson

There's good news if you use a lot of canned salmon.

The pack of pink salmon has hit a record, more than double 1988 production. The red is also up sharply this year, nearly triple last year's supply. And the prices reflect that.

Both pink and red salmon prices are running lower by 25 percent or more this year than last year at the same time.

At presstime lettuce prices were low on bumper crops in California and western Arizona. Although there was some ice on fields in Arizona, shippers believe that unless there is severe freezing, the prices will stay low into the early part of January.

Broccoli and cauliflower prices at presstime were lower than normal, with plenty of the vegetables available. That is expected to continue for several weeks at least.

Tea prices are on rise because of political conflicts and crop shortfalls in key growing areas, such as China, Sri Lanka, India and Argentina.

Expect high prices for fresh asparagus to moderate as shipments from Peru and Argentina start to compete with Chilean product.

Ripe olive prices have moved down on good supplies.

Spanish green olive prices for the new pack are iffy, with importers awaiting news now. The crop of Queens has been smaller than normal, but it appears the Manzanilla crop will be somewhat larger.

There have been price reductions by some packers on green beans. Stocks are larger than last year's.

Dried prune prices are somewhat lower on a large pack, although discounting is showing up mostly on smaller sizes.

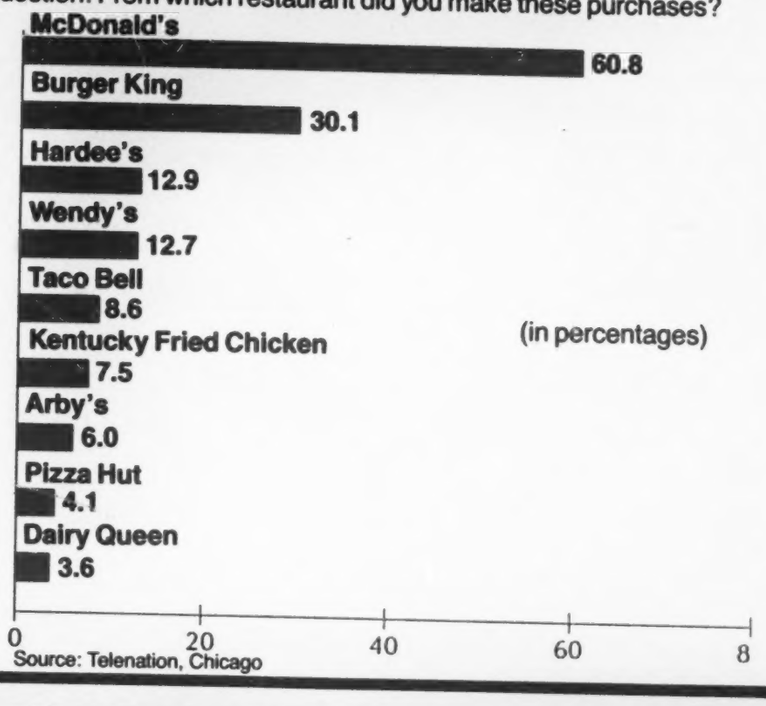
Butter prices will remain low for a while on large inventories, even though tighter milk and cheese supplies keep those prices high.

NRN FACT FILE

A look at the statistics shaping the industry

Where did *you* eat last week?

In a recent consumer poll, 60 percent of the people said that they had made at least one purchase at a fast-food restaurant within the last week.
The question: From which restaurant did you make these purchases?



Source: Telenation, Chicago

FINANCIAL DIGEST

National Pizza/Skipper's deal complete

PITTSBURG, Kan. — NP Acquisition, a wholly owned subsidiary of National Pizza, said it completed the purchase of Bellevue, Wash.-based Skipper's seafood chain.

National Pizza, Pizza Hut's largest franchisee, with more than 300 units, acquired 2.3 million shares of Skipper's outstanding stock at $11.05 per share. The purchase represented 85 percent of all shares outstanding.

Buffets posts 23% rise in net income

EDEN PRAIRIE, Minn. — Buffets Inc. posted a 23-percent increase in third-quarter net income to $1.6 million on revenues of $28.7 million, a 49-percent revenue gain year to year.

The company attributed the sales increase to its continuing chain expansion drive, which factors in specific site selection criteria to enhance sales performance.

Despite the sales boost average unit volume dropped 3.4 percent for the quarter ended Oct. 4. A typical unit averages $2 million a year.

Study predicts sales slowdown

CHICAGO — Intense competition and rising labor costs are slowing growth in the restaurant industry, according to Duff & Phelps Inc., an investment research and consulting firm.

"Overcapacity in the industry has resulted in intense competition, which has prompted heavy couponing and promotion," said Diane L. Mustain, who follows the restaurant industry for D & P. "The rising labor costs are a result of a shortage of teen-age workers, which has caused many chains to pay rates well above the current minimum wage.

D & P's assessment was based on following Jerrico, McDonald's, Shoney's and Wendy's.

Steve's Ice Cream posts 35% profit rise

LINDENHURST, N.Y. — Steve's Homemade Ice Cream attributed a 35-percent increase in net income in the third quarter to its acquisition of Swensen Inc., the Phoenix, Ariz.-based ice-cream parlor chain Steve's bought late last year.

For the quarter ended Sept. 30, Steve's reported a profit of $604,000 on sales of $9.1 million.

The sales volume topped year-ago levels by 61 percent.

"Revenues in the third quarter of this year benefited from the inclusion of Swensen's Inc. and continued improvement in sales of the Steve's Make-A-Wish single and three-pack ice cream bars," said Richard Smith, chairman and chief executive officer in a prepared statement.

Forbes lists 3 cafeteria chains in top 200

NEW YORK — Three cafeteria-style chains were the only food-service operations to make the Nov. 13 Forbes magazine list of "the 200 best small companies in America."

The three chains and their five-year average returns on equity are Luby's Cafeterias, San Antonio, 19.3 percent; Ryan's Family Steak Houses, Greenville, S.C., 17.5 percent; and Buffets Inc., Minneapolis-based operator of Old Country Buffets, 15.7 percent.

The criteria for the top 200 list of public corporations with annual sales between $5 million and $350 million required a minimum 10-percent five-year average return on equity, debt no greater than equity and no recent earnings or stock market reverses. Those companies meeting the criteria were then pared down to 200 based on "judgmental nonstatistical" factors.

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 1 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | January 1, 1990

FOR SALE: Marriott restaurants

Hospitality conglomerate narrows focus to lodging and contract services

by Bill Carlino

WASHINGTON — The Marriott Corp. is jettisoning the company's fast-food and family restaurant divisions as part of a strategic restructuring plan to steer the company's future focus toward its "mega-markets" — lodging and contract services.

Marriott has hung "for sale" signs on 358 company-owned Roy Rogers units and 434 family restaurants, including Bob's Big Boy, Wag's, Bickford's, Howard Johnson's and Allie's.

It also plans to repurchase 10 million shares of stock and streamline the corporate staff via an undetermined number of layoffs.

"When you've grown as fast as we have over the past decade, certain segments will mature faster than others," explained chairman J. Willard Marriott Jr. during a recent New York press conference.

"The restaurants and the airline catering were sound divisions, but they have shown an increase of less than 10 percent over two years, and we're a committed-growth company."

J.W. Marriott Jr. added that over the past year, the $8 billion lodging and hospitality conglomerate had taken a "hard" look at the way its restaurant and airline catering divisions aligned with the company's long-term strategy.

Marriott has already divested its In-Flite division to a management-led investment group for about $570 million. The In-Flite suitors, led by former Marriott corporate executives Dan Altobello and Fred Malek, have since changed the company name to Caterair International.

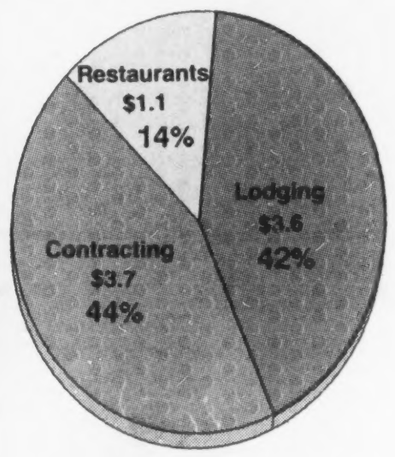
"We saw more aggressive pricing within the fast-food industry and lots of competition from convenience stores and take-out segments," Marriott continued. "It's tough to be No. 1 when you see 90-cent hamburgers advertised by McDonald's."

Although it will retreat from

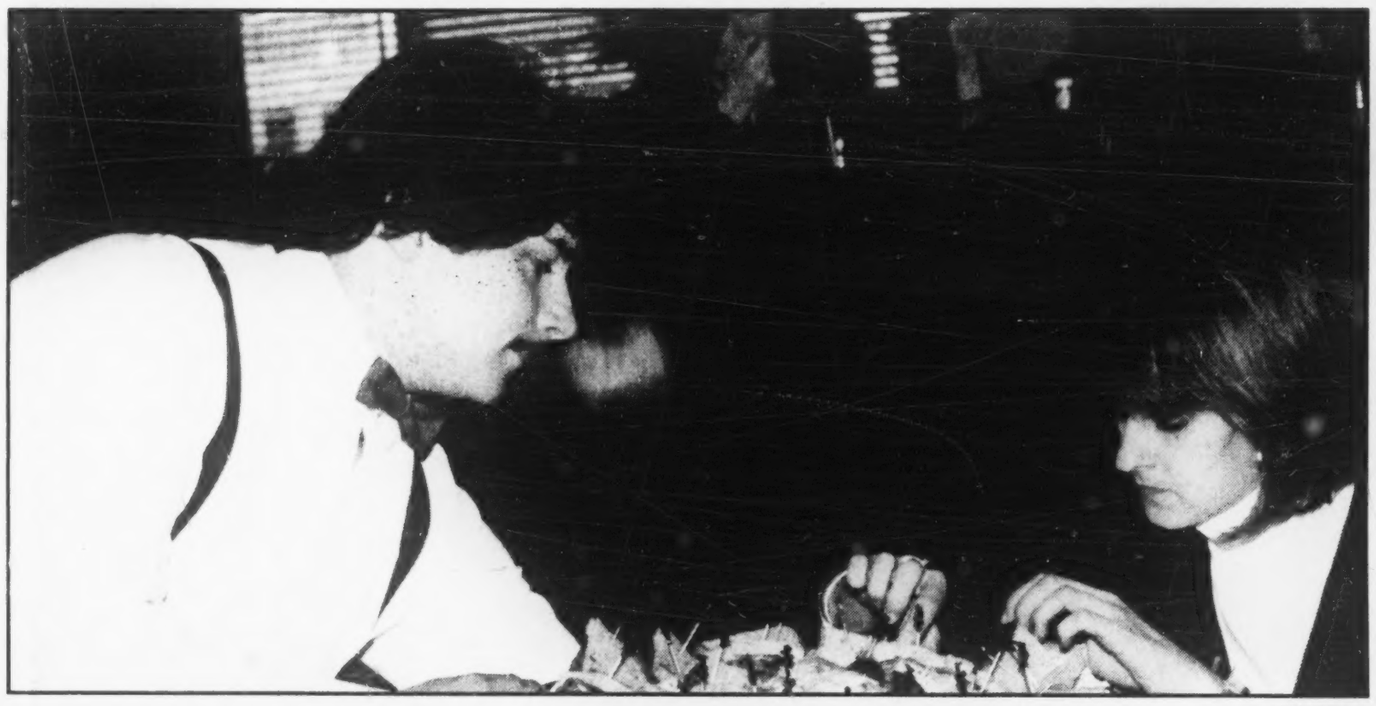
*(See **MARRIOTT**, page 65)*

J.W. Marriott Jr.

Marriott's revenues
(Fiscal 1989, projected, in $ millions)



* Source: Company reports



NRN Photo

A waiter serves pastrami sandwiches to a customer at the opening of Chicago's Carnegie Deli.

BRING ON THE SCHMALTZ!

Jewish-style delis stage comeback in Chicago

by Carolyn Walkup

CHICAGO — The Jewish deli niche, one of the few restaurant segments not saturated here, is filling up.

Years ago Chicago boasted quite a few Jewish delis — including Ashkenaz and Braverman's — that became local legends. But most of them either closed or relocated to certain suburbs as the Jewish population grew more affluent and left the old neighborhoods for newer ones.

Now the city is experiencing a return to the traditional Jewish deli of yore, with a few updates to suit today's more healthful, lighter and convenience-oriented eating trends. The newest of the genre are The Carnegie Deli & Restaurant, a licensed unit of the New York legend; Ciralsky's, owned by transplanted New Yorker Dennis

*(See **JEWISH DELIS**, page 1)*

Arby's, Shoney's fill top spots

by Jack Hayes

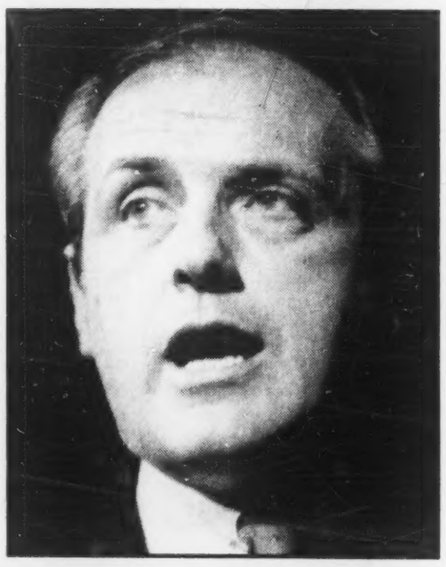
Belatti emerges from Arby's turmoil

ATLANTA — Surviving a four-month power struggle that tested his loyalty to franchisees, subordinates and two bitterly feuding bosses, Frank Belatti has emerged in triumph as president of the 2,300-unit Arby's chain.

But the former executive vice president of marketing — who walked the tightrope while fired president Leonard Roberts and owner Victor Posner yanked at the guy lines of the Arby's big top — promises no less excitement at the expanding roast-beef sandwich operation during 1990 and beyond.

"There are going to be more changes at Arby's over the next 12

*(See **BELATTI**, page 64)*



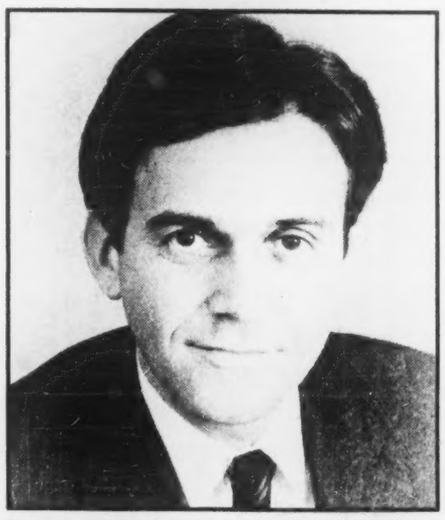
Frank Belatti

Roberts to set new pace at Shoney's

NASHVILLE, Tenn. — Leonard H. Roberts, who engineered a spectacular franchisee-driven turnaround in the 2,300-unit Arby's system over the last four years, is now pledging to expand 1,600-store Shoney's Inc. from its regional roots into a national chain with the same momentum.

"The Shoney's concepts are all very strong in their niches and ripe for national expansion," said Roberts, who takes over as president and chief executive officially today, replacing J. Mitchell Boyd, who left the company in a surprise

*(See **ROBERTS**, page 64)*



Leonard Roberts

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 1 January 1, 1990

NEWS BRIEFS

Food costs leap, but menu prices creep in Nov.

WASHINGTON — Reduced supplies of dairy products accelerated food-cost increases during November, pushing the price of foodstuffs 4.6 percent above the tally for the same month of 1988, according to the U.S. Commerce Department.

During October food costs rose year to year by a more moderate 4.3 percent, Commerce's data indicated.

Yet menu-price inflation rose only marginally during November, to a year-over-year rate of 4.7 percent, according to the U.S. Labor Department. That compares with October's gait of 4.6 percent.

In contrast, grocery prices rose during November at a year-to-year rate of 6 percent — a sharp acceleration from the 5.4-percent pace that was clocked the prior month, the Labor Department reported.

Pizza Hut, franchisees write new contract

WICHITA, Kan. — Pizza Hut and its licensed operators have forged a new franchise agreement, ending a potentially divisive imbroglio that bore similarities to the friction in Pizza Hut's sister chain, Kentucky Fried Chicken.

The board of directors of the International Pizza Hut Franchisee Holders Association, the system's franchisee group, and Pizza Hut reached an agreement last month on a 20-year franchisee contract that could take effective as early as March.

Franchisee leaders said they would recommend adoption of the new contract when the system's licensees meet in late January. The new contract replaces the current agreement, which expires in 1996.

The franchisee association's approval of the new agreement is somewhat of a breakthrough in its relationship with Pizza Hut. About two months ago, following the lead of their colleagues at KFC, Pizza Hut's licensees agreed to stash away $3 million in case they took the company to court to secure a better agreement.

As was the case with KFC franchisees, Pizza Hut's franchisee leadership had previously expressed disdain over several company contract proposals and interpreted them as a threat against the future survivability of their business.

Domino's eyes ESOP; Monaghan says he'd stay

ANN ARBOR, Mich. — Domino's Pizza has retained two investment houses to explore the possibility of structuring an employee stock ownership program.

Thomas S. Monaghan, Domino's chairman and founder, said he would remain chairman if an ESOP is assembled. In September Monaghan announced that he was contemplating selling the company to devote more time to religious charities.

The two advisers — Goldman, Sachs and J.P. Morgan — expected to submit a report to Domino's in early 1990.

McDonald's tests fish platter, expands pizza trial

MILWAUKEE — As part of McDonald's ongoing effort to develop new dinnertime lures, four units here are testing "McFish Fry," a three-piece fish entrée that is available after 4 p.m.

The three breaded whitefish fillets are served with french fries, coleslaw and a choice of three sauces. The meal is priced at $3.19.

Meanwhile, the nation's largest restaurant chain has extended its pizza sales trial into three more cities, according to sources close to the company. The chain is also requiring that new units be large enough to house pizza ovens.

The burger giant is seeking to boost dinner traffic through product introductions.

Burger King adds 'club' to woo kids

MIAMI — Burger King is attempting to raid McDonald's stronghold by launching a comprehensive marketing campaign called Kids Club, which uses everything from newsletters to Teenage Mutant Ninja Turtles to lure children.

The program invites children to join the Kids Club by signing up at the local Burger King. The tykes receive a kit that includes a personalized membership card and letter, a Kids Club poster, an iron-on patch with the group's logo and a subscription to a newsletter that is published five times a year. Burger King said it would periodically launch promotions tied to the club. Several will feature premiums tied to such popular cartoon characters as Teenage Mutant Ninja Turtles and Beetlejuice. The club will also spotlight a cast of fictional members.

McDonald's is reputed to have a strong hold on the children's market.

Canada chops tax to 7%

OTTAWA — Bowing to intense lobbying, the Canadian government has lowered its proposed goods-and-services tax to 7 percent from 9 percent. The move will hold menu-price hikes to 7 percent when the levy goes into effect in 1991.

The Canadian Restaurant and Foodservice Association had estimated that a 9-percent rise would cost the trade $1 billion in lost sales. The nation's operators have griped that the new tax would steer more patrons toward the deli counters and frozen-food sections of grocery stores, which are exempted from the surcharge.

Under the national government's plan to reduce Canada's huge budget deficit, most retailers will be required as of Jan. 1, 1991, to tack a 7-percent sales tax onto virtually everything they sell.

Hardee's taps 3 for higher posts

ROCKY MOUNT, N.C. — In a wave of promotions, Hardee's has elevated Paul Lovin to chief operating officer, Edna Morris to senior vice president of human resources and John Merritt to senior vice president of public relations.

The regional burger chain bestowed the new titles shortly after chairman Jack Laughery relinquished the chief executive's title to president Bill Prather. Laughery stepped back from day-to-day operations to become more involved in the activities of Hardee's parent company, Imasco Ltd.

Lovin, a 15-year veteran of the fast-food industry, had been executive vice president of operations. Morris had been vice president of human resources. Merritt had served as vice president of government and public relations. All report directly to Prather.

Canadian suitors finally drop Dunkin' pursuit

RANDOLPH, Mass. — Dunkin' Donuts' persistent Canadian suitors have finally abandoned their pitched effort to take over the segment-leading doughnut chain.

DD Acquisition, a partnership of Toronto-based Kingsbridge Capital and Cara Operations, said it would tender all of the Dunkin' shares it amassed during the failed takeover attempt. It said the stock would be offered to Allied-Lyons, the British concern that has agreed to buy the doughnut-shop chain for $325 million.

After DD pressed its efforts to bag Dunkin', Allied-Lyons stepped in as the snack chain's "white knight," topping DD's $45-per-share offer in the 11th hour. The bid was quickly accepted by Dunkin', which had diligently rebuffed DD's overtures. But DD refused to admit defeat and repeatedly indicated that it might sweeten its bid.

McCarty adds tapas menu at Denver restaurant

DENVER — Michael McCarty has substituted a low-cost tapas-style menu for the Tex-Mex bill of fare formerly featured in the Grill Room of his Adirondacks restaurant here.

The listing features what McCarty calls "new American tapas" — small portions of appetizerlike items priced from $2 to $4. Included among the 25 offerings are little pizzas and burritos.

The Grill Room is the 110-seat, 5,000-square-foot downstairs component of the restaurant, which was formerly known as the Rattlesnake Club. Another dining room is upstairs.

McCarty also owns the Michael's restaurants in New York and Santa Monica, Calif.

'Dead' downtown kills Herzog's

ST. LOUIS — Whitey Herzog's Restaurant and Powerhouse, a sports restaurant and nightclub partly owned by St. Louis Cardinals manager Whitey Herzog, has closed after celebrating its first birthday.

The large facility's operator, Chicago-based J.R. Management, said it shut the place down because the downtown area is "dead" after dark, especially on weeknights.

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NEWS

El Pollo Asado makes cutbacks in execs, units in wake of Ch. 11

by Richard Martin

PHOENIX, Ariz. — El Pollo Asado, pared back to 27 franchised outlets and operating under Chapter 11 bankruptcy, has fired its new chief executive and its operations chief and shuttered its seven remaining company-owned restaurants.

The quick-service chain's board dismissed Thomas C. Sawyer, the Burger King and Kentucky Fried Chicken veteran hired in November to succeed co-founder Richard Lipson, who was fired as El Pollo Asado's chairman and chief executive.

Dismissed with Sawyer was Richard J. Peterson, chief operations officer and the other co-founder of the grilled chicken and Mexican food chain.

Ronald A. Paradis, the chain's veteran financial chief and executive vice president, is the sole remaining corporate employee. Paradis, who has assumed all vacant positions, did not return phone calls.

"He's the president, CEO, CFO, cook and bottle washer," quipped a laid-off headquarters staffer, whose last task before cleaning out her desk was to complete a final payroll.

An estimated 250 company-store and headquarters workers have been terminated since November, when eight corporate-owned restaurants were closed here and in Denver. The last seven company units, one in California and the rest in Phoenix, were shut down last month; two of the Phoenix stores were later reopened by landlords as franchised outlets.

One of those reopened units will be used to supply the concept's proprietary chicken marinade to other franchised outlets. El Pollo Asado's Phoenix commissary was closed last year as part of the corporate cutback.

About 13 franchised restaurants were also closed in the last two years, including two in Phoenix in the last three months. The 27 remaining licensed units are in Arizona, California, Colorado, Nevada, Texas and Rhode Island. Three more are under construction in California.

A prepared release from Paradis said the final company-store closures were caused by a withdrawn commitment for financial assistance made earlier by Commonwealth Holdings, a Sacramento, Calif.-based investment firm that owns 5 percent of the restaurant company.

El Pollo Asado filed for bankruptcy court protection from creditors in November after reporting a $4.8 million net loss in fiscal 1989. The company lost $7.7 million in 1987.

In recent years the chain had sought to recoup its profitability by converting its Mexican-style chicken outlets to full-menu Mexican cafes specializing in grilled, herb-marinated poultry.

The chain was launched here in 1983 by Lipson and Peterson, former Garcia's of Scottsdale executives, as a direct copy of the El Pollo Loco chicken concept. Originally called El Pollo Flojo, Spanish for "the lazy chicken," the chain changed its name after an out-of-court settlement with Denny's-owned El Pollo Loco in 1984.

Jewish delis stage comeback in Chicago

(Continued from page 1)

Williams, and Minnie's, a 60-seat neighborhood deli co-owned by Larry Tucker and Dennis Harris.

Williams said he decided to open a deli here because he could not find one like those he had grown up with in Manhattan. He and designer Roger Greenfield created Ciralsky's to look like a well-worn New York deli, with a large deli case, a tiled floor and wooden booths and tables.

Much of Ciralsky's food duplicates as closely as possible the products of its New York counterparts. The pastrami comes from the Bronx, but most other products, including the corned beef and cheesecake, are processed in Chicago. Some of the lox and other smoked fish, which are top sellers, come from other states, such as Wisconsin and California.

The Carnegie opened in December in the space vacated by the short-lived Cityscape in the Bloomingdale's mall. The licensees, a group of investors headed by Chicago developer Thomas Klutznick and his Los Angeles partner Marvin Davis, are required to use all of the Carnegie's meat products from Manhattan. "We have our own meat-processing plant and cheesecake-baking plant," said Milton Parker, Carnegie president.

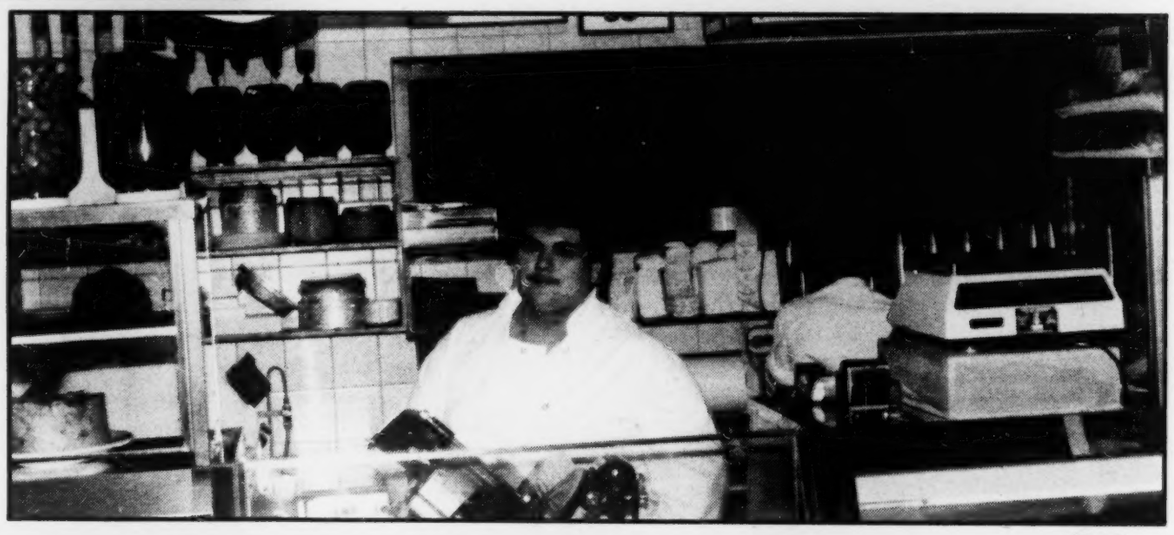
Minnie's gets a few products from New York, among which are its pastrami briskets, egg creams and phosphates. Everything else is either made in-house or by local suppliers, Tucker said.

Unlike Ciralsky's, Minnie's does not try to emulate a New York deli. "We sell as many turkey as corned-beef sandwiches" to the Lincoln Park neighborhood's health-conscious young professionals, Tucker noted. He also sells a lot of his Mediterranean salads, consisting of charcoal-broiled chicken breast, romaine lettuce, olives, feta cheese and radish rosettes.

"We sell a lot of salads," Williams said, "but we also sell a lot of corned beef and a lot of pastrami. I don't think anybody should eat the same kind of food all the time. You probably need a little bit of fat and even a little bit of cholesterol."

All three delis are noted for their lengthy menus and large-portion sizes, offering something for nearly every diet preference. But sellout sales of such traditional Jewish favorites as cabbage soup, blintzes and rugelach cheesecake leave little doubt about the operations' ethnic roots.

Take-out accounts for about one-quarter of Minnie's business, and Ciralsky's and the Carnegie have just started to offer the service. The Carnegie accepts take-out orders via FAX machine.



NRN Photo

Ciralsky's deli counter.

In keeping with intended images as neighborhood restaurants, Ciralsky's and Minnie's are open for breakfast as well as throughout the day and evening. Some of Minnie's regular customers come in more than once a day, and Tucker knows half of the customers.

Neither of those operations fears competition from the big-name Carnegie because it is seen as a tourist destination. "I don't feel restaurants compete with each other; you compete with yourself," Williams said.

Klutznick is more concerned about competition from fellow mall operators of Tucci Benucch (Lettuce Entertain You Enterprises), Hopper's Dining Car (the Levy Restaurants) and America's Kitchen (Errant Enterprises) than about the city's other delis. "If we deliver the Carnegie substance, I don't think we have any competition," he explained.

Parker projected that the Chicago Carnegie would gross between $5 million and $6 million annually "as long as the people listen to how we instruct them." He would not reveal sales figures for the flagship New York store, saying only, "For a small store we do a lot of business."

None of these delis makes any pretense of being a kosher restaurant, which cannot serve both dairy products and meat. However, they are New York kosher-style eating places, Williams noted.

Restaurant analyst and Chicagoan Ron Paul predicted that the renewed deli segment "will work quite well here, given Chicago's Jewish population." The new delis represent a yearning to return to old favorites and a reaction against fast food, he said.

CORRECTIONS

"What's Hot In . . . ," Dec. 11, page 11, was incorrectly labeled Portland, Ore. The list of restaurants covered in the feature actually is from Portland, Maine.

* * *

"Local pizzerias shun coupon wars," Dec. 4, page 1, misstated the number of units in the San Francisco-based Round Table Pizza chain. The chain has 540 restaurants.

* * *

In his Nov. 27 Editor's Corner column, "The new minimum-wage bill deserves support," Charles Bernstein incorrectly indicated that operators in some states might achieve lower minimum wages under the new federal law mandating $3.80 an hour in April 1990 and $4.25 in April 1991. "Federal laws take precedence over state ones," he wrote.

In fact, the U.S. Labor Department has consistently ruled that "whatever is most favorable to the employee" prevails. Thus a state minimum-wage law would take precedence over the federal law if the state had a higher minimum. The federal minimum would prevail if it was higher or if there was no state minimum.

FINANCIAL NEWS

Sales at restaurants, bars advance 3% in November

by Milford Prewitt

Restaurants and bars enjoyed a 3-percent year-to-year sales gain in November, temporarily reversing what had been a downward sales spiral but nowhere near as high as the industry's strongest sales surge in May.

The prevailing view from Wall Street and other industry observers is that the November uptick in volume is an inconsequential blip in what has been a consistently down sales trend since the end of May.

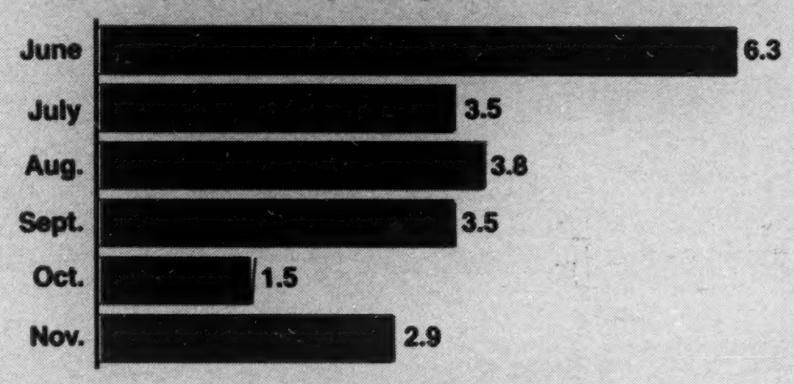
According to the Census Department's monthly retail sales estimate, unadjusted sales at restaurants and eating places grew by 2.9 percent in November from the figure for the year-ago period.

When November is compared with October, however, restaurants and eating places sustained a 4-percent loss in sales, a dip more indicative of the industry's current performance, some analysts maintained.

"I usually tend not to depend on the month-to-month data," said Joseph J. Doyle, an analyst with Smith Barney, "but the difference between October and November reflects what's been going on most of the quarter: that demand in the restaurant business is soft."

November sales growth picks up for eating, drinking places

(year-to-year percentage change)



* Source: U.S. Census Bureau's Unadjusted Monthly Retail Sales

> "Now that the menu prices are in effect, consumers are not eating out as much."

Other analysts agreed.

Howard Hansen, a foodservice analyst with Kidder, Peabody, said that when adjustments are made for menu inflation, holidays and even the number of weekends in a month, the industry has probably incurred its fifth consecutive sales hemorrhage.

"When you look back over history, the only time you see that kind of pattern is during a recession, as in 1984 and 1985," he said.

Wall Street's pessimistic outlook conflicts with the buoyant quarterly earnings and sales performances several industry operators have been reporting of late.

Uno Corp., Collins Foods, Shoney's, Pepsico, Perkins Family Restaurants and National Pizza are just a few companies whose recent financial statements reflected improved sales and profit levels.

But observers claimed that a handful of upbeat quarterly and annual reports do not undermine their basic consensus that the industry is currently locked in a nose dive.

Frank Panyko, vice president of research for the Food Institute, a Fairlawn, N.J.-based statistical research group specializing in grocery store and restaurant industry market data, said his figures conform with those of others who have argued that foodservice sales have been flat since the second quarter.

Panyko said year-to-year sales growth slowed by more than half during the summer of 1989 compared with the previous summer, with year-to-year compiled monthly volumes up about 3.1 percent vs. 6.7 percent during 1988.

"I think what happened is that menu prices went up in 1988, and there was no falloff in consumer demand throughout the year," Panyko said. "Now that the menu prices are in effect, consumers are not eating out as much."

Through elaborate indices he uses to measure the number of meals consumers eat in a month, Panyko said the net effect is that they are eating one meal more a month at home.

That extra meal, he said, has boosted grocery store sales volume .5 percent a month since May.

FOOD PRICE OUTLOOK

Fresh farmed salmon prices lower

by Patt Patterson

The farmed-salmon industry is experiencing a worldwide surplus of product, according to fisheries observers. Norway has increased production dramatically. Scotland is a major player; British Columbia producers have proliferated in the past three years.

Chile is a big supplier. And this year the United States has had a large wild-salmon catch. As result, import prices are down for whole fresh pan-sized farm-raised salmon.

Now that the holiday season is past, canned-ham prices may be moving down a bit. Imports have been short for several months, but forecasts are for larger quantities by spring.

Pork belly inventories are still large. As a result, bacon prices should be fairly stable for the next couple of months.

Tomato paste and canned tomato imports have reached record levels despite the fact that California had a 30-percent increase in its pack this year. The largest share of paste imports is in the foodservice 6/10 and 55-gallon drum sizes. The largest share of canned tomato imports is in the 6/10 size.

The pizza and pasta markets have pushed demand to new records. Prices of tomatoes and tomato products are firm to rising on strong demand.

There's still a large supply of apples overhanging the market as an aftermath to last year's Alar scare. But applesauce prices are moving up. The reason: smaller than normal supplies of processing apples in the East, where most of the applesauce is packed.

Northwest canned-pear prices moved up last month; California supplies are good, but some packers may advance costs.

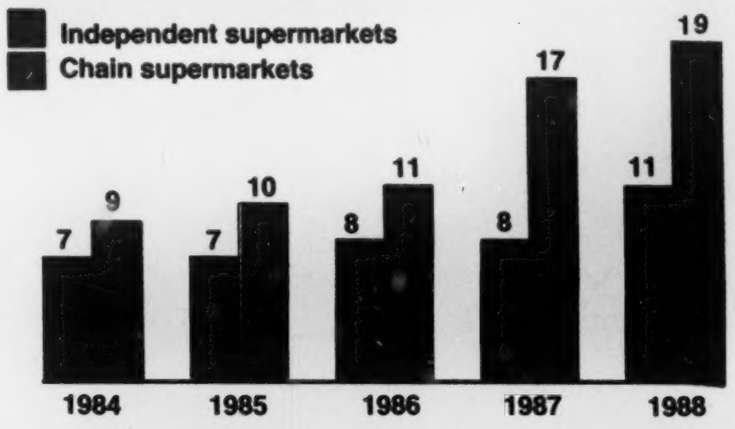
This is the time when Florida citrus is at risk from freezing weather. Long-range forecasts indicate no deep freezes for about 60 days, but producers are preparing just in case. The cold weather of 1989 curtailed this season's crop volume. With a good year Florida orange juice producers may have a strong crop rebound next season.

NRN FACT FILE

A look at the statistics shaping the industry

Percent of supermarkets with sit-down eating

Restaurant presence in supermarkets has been steadily increasing.



* Source: Progressive Grocer's Annual Reports

FINANCIAL DIGEST

Cucos franchisee fees, royalties spark profit

METAIRIE, La. — Higher franchisee income from both royalties and fees led to a 28-percent jump in first-quarter earnings for Cucos despite softening in comparable company store operating profit.

For the first quarter, ended Oct. 22, Cucos posted earnings of $94,367 on a 3-percent rise in revenues, to $4 million.

Sales per restaurant rose only 1.3 percent for the quarter in spite of a hike in advertising expenditure. In fact, increased advertising outlays and lower sales growth was attributed to a decline in operating profits from company-operated stores on a year-to-year basis.

The company operates 10 of the chain's 28 Sonoran-style Mexican restaurants.

But the shortfall in company restaurant profits was offset by improvements in franchisee revenues and profits. Total franchise revenues jumped 51 percent, to $269,265, for the quarter.

Acquired franchisee units boost Rally's

LOUISVILLE, Ky. — Aided by the purchase of 61 franchised restaurants following Rally's initial public offering in October, Rally's first-quarter revenues jumped 35 percent, to $16.4 million.

For the quarter ended Oct. 1, the drive-thru burger chain reported that year-to-year earnings soared 72 percent, to $1.1 million.

The drive-thru burger segment leader, which had just 10 units before it went public, now owns and operates 71 of the system's 186 stores.

TCBY to buy back shares for benefit plans

LITTLE ROCK, Ark. — TCBY Enterprises has authorized its board of directors to repurchase as much as $1 million worth of shares in order to fund an employee stock ownership plan, general operating expenses and other employee benefits, the company announced.

The company said that the number of shares to be repurchased and prices to be paid will be based on the prevailing market conditions and legal limitations and that the repurchase may last as long as Dec. 31, 1991.

Cost cuts spur Piccadilly earnings

BATON ROUGE, La. — Piccadilly Cafeterias said reductions in labor and food costs led to a 13-percent rise in first-quarter earnings, to $3.1 million.

Piccadilly posted an 18-percent year-to-year sales gain, to $75.8 million, for its quarter ended Sept. 30.

In addition to trimming food and labor costs, Piccadilly said comparable store traffic rose 3 percent year to year.

The company owns and operates 135 cafeterias and seven Ralph & Kacoo's Louisiana-style seafood restaurants.

Chez drops stake in Max & Erma's

COLUMBUS, Ohio — Ronald L. Chez, an Oakland, Calif., businessman, reported to the Securities and Exchange Commission that he has dropped his stake in Max & Erma's to 4.4 percent of common shares outstanding.

Meanwhile, Mercury Asset Management, a London investor group, has acquired a 5.6-percent stake in the company, according to SEC documents. The intentions of the British group are not known.

In his filing Chez disclosed that he sold 35,033 shares of Max & Erma's common stock from Aug. 23 to Nov. 23 for $7.23 to $8.35 per share, leaving him with 134,300 shares.

Max & Erma competes in the casual-themed restaurant segment against such chains as Chi-Chi's, TGI Fridays and Houlihan's. Max & Erma is a 13-unit chain, concentrated primarily in the Midwest.

FOCUS

Challenge 1990: Thawing out the consumer

Experts cite decreased consumer spending and increased competition among retailers and operators as the key factors behind the modest growth expected

by Peter Romeo

Strapped for time and money, consumers are poised to turn the new year into a trying time for foodservice operators.

Even as harried Americans hunger more keenly for the convenience of purchased meals, forecasters explained, a sluggish economy is frustrating their desire to dine out more frequently.

"The good news is that restaurants have become America's favorite form of entertainment, and that's a real advantage," commented Donald Ratajczak, an economist and college professor who serves on the board of cafeteria specialist Morrison Inc. "The bad news is consumers aren't spending much on anything these days."

Consumer spending crept upward by 2.4 percent last year, after increasing 3.4 percent in 1988, according to Blue Chip Economic Indicators, a compendium of data from 51 leading economists. The group has forecast that spending will grow by only 1.8 percent this year.

"The bad news is that we're facing the most sluggish economy we've seen since the recession of 1982, which was fairly severe," said Robert Eggert, who compiles the Blue Chip data. "The good news is we won't see an actual recession."

For eating-and-drinking places, the situation is exasperated by exhaustive schedules that leave patrons with few opportunities to indulge themselves. "People don't have as much time to eat out, particularly at lunch," noted Ron Paul, president of Technomic Inc., a Chicago-based research house.

That time crunch has stoked take-out and delivery sales, which in turn "have driven industry growth" since 1984, according to the National Restaurant Association. It estimated that patrons buying meals for at-home consumption now account for 45 percent of all foodservice traffic.

But that trend is proving to be a mixed blessing.

"With this shift to off-premises consumption, consumers are skipping part of their usual purchase," said Technomic's Paul. "They buy a take-out pizza, but they drink the soda they already have at home. It came from a supermarket, and that means fewer dollars for the guy selling the pizza."

What's more, the NRA reported that take-out and delivery sales have cooled recently, slowing their growth. The group warned in its annual sales forecast that "competition promises to intensify as grocery stores and other retailers focus greater attention on capturing a greater share of the consumer's off-premises expenditure."

Overall, the NRA foresaw "continued but modest growth" in 1990. Real sales, it said, will increase by 1.8 percent, compared with last year's rise of 1.5 percent. The numbers were developed in consultation with Malcolm M. Knapp Inc., a New York research concern.

The NRA agreed with economists' predictions of a slowdown in consumer spending during 1990. However, the group is wagering that consumers will spend less of their money on durable goods, which seemed to have pulled dollars away from foodservice last year.

"In March 1989 purchases of new cars and light trucks jumped almost 19 percent from the prior-month figure, and the proportion of adults who were foodservice patrons on a typical day dropped 7.4 percent," the NRA noted in its Foodservice Industry Forecast. "In August 1989 a similar phenomenon occurred. Vehicle sales spurted upward by 13 percent, and restaurant traffic fell 5.7 percent."

> "Competition promises to intensify as grocery stores and other retailers focus greater attention on capturing a greater share of the consumer's off-premises expenditure."

"Sales growth for eating places did not meet expectations," the NRA concluded. "Cash on hand was squeezed by unanticipated major purchases."

It cited Blue Chip Economic Indicators' projection that spending on big-ticket items will increase by less than 1 percent this year, compared with last year's 2.6 percent advance."

"For the 10th straight year, the industry will experience real — if slight — growth," commented Susan Mills, the NRA's research chief.

However, a 1.8-percent real-sales rise would be one of the smallest gains within that decade.

The industry's other major prognostication, Foodservice Forecast & Outlook, which is prepared by Technomic for the International Foodservice Manufacturers Association, predicted that eating places would garner a 2-percent increase in business this year.

Although that figure would be steeper than the target set by the NRA, Technomic is actually forecasting a sales slowdown; it projects that sales grew by 2.8 percent in 1989 — a year bemoaned by most restaurateurs.

If Technomic's outlook is accurate, foodservice will experience its smallest advances since 1985.

"The number of transactions may actually increase substantially," Paul said. But we're seeing people shopping for lower-priced meals. We're seeing widespread discounting. And there's the shift to off-premises consumption. All those things lower the number of dollars being spent."

Whatever growth foodservice garners will likely be tempered by the industry's ongoing expansion binge. On average, according to government figures, more than 12 restaurants enter the market every day. Industry statisticians say there is no reason to expect that pace to slow significantly, if at all.

*(See **FORECASTS**, page 36)*

FOCUS

Forecasts indicate slow growth for 1990

(Continued from page 33)

"We're going to have more people eating out; that trend is certainly not going to change," Ratajczak said. "The question is, Are we going to have more people eating out per store?"

"The individual operator is probably more pessimistic about the coming year than are people like us, who look at the big picture," Paul said. "Overall, demand is growing, but there's more competition for it."

Ironically, the industry is straining at a point when research indicates that Americans have never been more reliant on restaurants for sustenance. A meal prepared outside the home "is no longer perceived as a luxury," the NRA asserted in its forecast. "Instead, it is an increasingly important component of everyday life that nearly half of all adults purchase on a typical day."

That yen for ready-to-eat meals "is the basis for continued industry growth," the report concluded.

The NRA predicted that a few foodservice groupings would enjoy fairly substantial real-growth gains this year. For instance, it forecast that fast food's tally would rise by 3 percent; contract feeding, by an inflation-adjusted 3.9 percent; and social caterers, by 3.4 percent.

Several contract-feeding markets are poised for exceptionally strong showings, the data indicated. For instance, the NRA predicted that college and university accounts would enjoy real-sales gains of 6 percent; airline catering, 5.7 percent; and health-care installations, 4.4 percent.

On the other hand, food and beverage sales at bars and taverns will fall slightly below last year's tally, according to the NRA's outlook. Negating menu price increases, sales at commercial cafeterias are forecast to inch upward by less than 1 percent.

"The economic performance of cafeterias continues to be puzzling," the NRA commented in its analysis of the data.

The trade group's researchers are not mystified in the least by the tough times evident among full-service restaurants, whose real sales are forecast to grow by a paltry 1 percent. "Competition," the forecast explained, "is intense."

"The number of table-service restaurants has been growing almost as quickly as the number of fast-food places," Mills explained. Approximately 19,490 full-service establishments lighted their burners for the first time between 1982 and 1987, yielding an average of 10 openings per day, according to government figures.

"This faster-than-expected expansion rate also helps to explain why some have reported virtually no real sales growth in recent years," commented the NRA's forecast.

The damage wrought by the expansion binge has been particularly acute for high-end places, which have seen their traffic slacken as baby boomers feel the financial squeeze of parenthood. "Increasing demands are being placed on their incomes as they marry, acquire homes and have children," the forecast observed.

"With the pinch on consumer incomes, individuals are looking for more value for their money," the study added. "Upscale restaurants with a more formal atmosphere have been troubled by the change in consumer attitudes away from free spending to comparative frugality — a change initiated as a result of the stock market crash in October 1987."

The trend has fostered a boom among casual restaurants — places that boast simple, high-quality and moderately priced foods served in a comfortable setting. Establishments fitting that description enjoyed a 7.5-percent traffic jump between 1986 and 1988, according to GDR Crest, a Midwestern researcher that tracks food sales.

"This trend will continue to contribute to sales growth well into the next decade," the NRA predicted.

"We're going to see a move toward more casual dining," remarked Technomic's Paul. "People want value."

But, he added, the very success of casual restaurants has drawn hordes of newcomers into the segment. "In terms of competition, it's going to be terrible," he said.

Faced with that situation, an abundance of restaurants are striving to differentiate themselves by redesigning their dining rooms, according to the NRA. A survey conducted for the association discovered that nearly half of all respondents with check averages of $8 or more either had or remodeled or were planning to do so.

However, despite heightened competition in most restaurant sectors, the industry is curbing its advertising expenditures, according to the NRA. "The spending slowdown may be attributed to higher media advertising rates, increased cable/VCR viewing and the fact that some foodservice operators have allocated more of their marketing budgets to promotions," said the association's forecast.

However, that perception conflicts with the results of an informal survey conducted for Advertising Age, the trade newspaper. The data call for a 6-percent rise in restaurant advertising during 1990. That increase would amount to a 1.6-percent real rise in outlays.

In general, said Technomic's Paul, operators have been slow to respond to the profound changes unfolding in their marketplace. "The majority are still trying to figure out what to do," he said.

> "The individual operator is probably more pessimistic about the coming year. Overall, demand is growing. But there's more competition for it."

SALES OUTLOOK FOR FOODSERVICE

	Sales (billions)		% of change	
	1989[1]	1990[2]	Nominal	Real
FREESTANDING RESTAURANTS				
Full-service restaurants	$ 73.24	$ 77.19	5.4%	1.0%
Fast-food places	65.53	70.38	7.4	3.0
Commercial cafeterias	4.15	4.36	5.0	0.6
Social caterers	2.09	2.25	7.8	3.4
Ice cream, other frozen treat places	2.03	2.18	7.2	2.8
Bars, taverns	8.98	9.01	0.3	(4.3)
Total, freestanding eating and drinking places	156.02	165.37	6.0	1.6
CONTRACT FEEDING				
Manufacturing, industrial sites	3.66	3.94	7.9	3.5
Commercial, office buildings	1.24	1.34	7.8	3.4
Hospitals, nursing homes	1.57	1.71	8.8	4.4
Colleges, universities	2.43	2.70	11.3	6.0
Primary, secondary schools	1.16	1.23	5.7	1.5
Airlines	1.29	1.41	9.4	5.7
Recreation, sports centers	1.72	1.84	6.6	2.2
Total, contract feeding	13.06	14.16	8.4	3.9
HOTEL, MOTEL RESTAURANTS				
Total, all places	14.14	15.09	6.7	2.3
IN-STORE RESTAURANTS				
Total, all places	9.46	10.33	9.2	4.8
OTHER[3]				
Total, all places	8.49	8.98	5.7	1.3
TOTAL, ALL COMMERCIAL PLACES	201.18	213.93	6.3	1.9
TOTAL, ALL INSTITUTIONAL PLACES	24.97	26.21	5.0	0.9
TOTAL, ALL MILITARY PLACES	1.08	1.14	5.8	1.4
GRAND TOTAL, ALL FOODSERVICE PLACES	227.22	241.28	6.2	1.8

[1] All 1989 figures are projections
[2] All 1990 figures are forecasts
[3] Includes snack bars at bowling lanes, drive-in theaters, and sports facilities; mobile caterers; and vending outlets.

Source: National Restaurant Association

Is there a babysitter in the house?

Need more traffic in your restaurant? You may want to add a baby-sitting service for patrons. Or maybe you could convince servers to tell a joke or two.

Those were among the suggestions provided by 7,000 frequent diners who were canvassed by the Zagat organization for its guides to restaurants in New York and Los Angeles.

The publishing concern asked the consumers to list a restaurant innovation they would value. Noting that the respondents "have never been shy" about citing restaurants' shortcomings, Zagat said it was inundated with suggestions about services that should be added.

Included in the bunch were installing tabletop call buttons to summon servers, reserving dining rooms for single women, permitting patrons to bring their dogs, providing "romance rooms" and hiring "strolling masseurs," outfitting booths with video-cassette recorders and earphones and giving patrons control over lighting levels.

Some respondents described new concepts they'd like to see: a combination restaurant-record store; rooftop restaurants, with telescopes provided for entertainment; conveyor-belt buffets, where the food moves, and patrons are stationary; dining places that also offer a golf driving range.

> One consumer suggestion was for restaurants to install tabletop call buttons for patrons to summon servers.

Zagat rates restaurants in various cities by mailing questionnaires to residents who dine out frequently. The respondents provide assessments of their favorite restaurants. That input is then compiled into Zagat's pocket-sized guides. *P.R.*

FASTEST-GROWING COMMERCIAL SEGMENTS
(ranked by real sales growth, 1989-90)

Market segment	Real sales growth
College & university contract feeding	6.0%
Airline catering	5.7
In-store restaurants	4.8
Hospitals & nursing homes, contract feeding	4.4
Manufacturing & industrial cites, contract feeding	3.5

Source: National Restaurant Association

SLOWEST-GROWING COMMERCIAL SEGMENTS
(ranked by real sales growth, 1989-90)

Market segment	Real sales growth
Bars, taverns	(4.3)
Commercial cafeterias	0.6
Vending, mobile outlets	0.6
Full-service restaurants	1.0
Mobile caterers	1.1

Source: National Restaurant Association

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Nation's Restaurant News®
THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY
SECOND CLASS
Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year
January 8, 1990

tic blast slams Sunbelt for holiday

Tourists, New Year thaw icy sales week

by Jack Hayes

Two weeks after the grip of a record-breaking arctic freeze, restaurateurs across the Sunbelt are celebrating a New Year's thaw that is heating up their local and tourist dining trade.

Operators from Corpus Christi, Texas, to Savannah, Ga., were crippled in late December by sleet and freezing winds. But as quickly as the frigid weather dampened holiday spirits, a warming trend is buoying hopes for a strong January.

"The bad news is we panicked," said Archie Casbarian of Arnaud's in the New Orleans French Quarter, where a 5-inch snow turned the streets into skating rinks around Christmas and virtually shut down dining citywide.

"The good news is everybody rescheduled," added Casbarian, calling New Year's weekend a

*(See **FREEZE**, page 105)*

Battered crops spur produce price hikes

by Milford Prewitt

The Christmas week cold wave and snowfall that damaged some of the South's richest agricultural regions are expected to have repercussions in restaurateurs' food costs and consumers' wallets for some time.

Hundreds of thousands of acres of oranges, tomatoes, bell peppers, celery and other so-called winter vegetable crops in Florida, Louisiana and Texas were destroyed in last month's cold wave, spurring higher prices of the affected produce.

While imports and West Coast produce may temper the long-term effects of the recent freeze, economists and government forecasters said that produce prices would remain high at least in the first quarter of 1990.

Preliminary forecasts by state economists in Florida are that as

*(See **COLD FRONT**, page 105)*

California dreamin': McCarty takes Michael's to Manhattan

by Peter O. Keegan

NEW YORK — Celebrated chef-owner Michael McCarty is out to prove that his brand of California cuisine will succeed in a city where similar concepts have failed.

At the new midtown Michael's, which McCarty said would be the last freestanding restaurant he'll open, a simple, straightforward menu has been assembled — featuring California-based regional hybrid cuisine.

The success of California cuisine in Manhattan has been short-lived in the past. Such high-profile places as Jonathan Waxman's Jams and Andre Sfez's Batons closed in 1988 after initial interest waned.

NRN Photo

Michael McCarty stands in his new restaurant, Michael's, in New York.

Currently, even Wolfgang Puck-inspired China Grill and Richard Krause's Melrose are showing signs of stagnation. Krause reports that he'll convert

*(See **McCARTY**, page 4)*

Texans cheer planned overhaul of workers comp

by Peter Romeo

AUSTIN, Texas — After a fierce five-year battle, Texas legislators have mandated a sweeping overhaul of the state's program for compensating injured workers, buoying the spirits of restaurateurs straining to cover the old system's soaring costs.

Operators voiced hopes that the imminent reform will eventually roll back Texas' workers-compensation insurance rates, which rank among the highest in the country. The state's restaurateurs typically pay three times the national average, according to the Texas Restaurant Association.

Other states are closely monitoring the Lone Star State's situation, hoping to glean a lesson or two about how to rein in their own galloping insurance costs.

Yet few areas have suffered as much as Texas. Rates there have leaped 180 percent in the last five years, and insurance companies have been seeking another 35-percent hike to temper their huge losses.

*(See **WORKERS**, page 104)*

Fine dining in '90s: Proceed with caution

A look at this year and beyond

by Florence Fabricant

Many of the trends that will influence tablecloth operations around the country for the next year or so have already been in place for many

1990 TRENDS

months. The latest developments in the economy indicate the trends will evolve gradually. The watchword for the coming year is caution.

Nothing will happen out of the blue unless it is caused by an event like the shoreline pollution of the summer of 1988, which drastically eroded seafood sales in many operations. It took nearly a year for the commercial seafood industry to overcome consumer anxiety about seafood safety.

The National Bureau of Marine Fisheries is pressing ahead with its support of seafood inspection, which should help restore confidence in fish and seafood. Operators, for their part, can probably continue to market more seafood in 1990.

Seafood safety, in reality, has more to do with how well the wholesaler and the chef handle and maintain the seafood they buy, not with inspection at the dock. But insistence on inspection reflects consumers' growing concerns about the safety of the food supply in general. Pesticides and contamination by salmonella made news last year.

Operators of luxury establishments who can afford organic ingredients will appeal to affluent, educated consumers. For many years California chefs like Alice Waters have depended exclusively on organic produce, meats and poultry. In New York Christopher Idone refuses to serve veal at his new operation, 1022, becauseof the way the animals are raised.

*(See **1990s**, page 104)*

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 2 January 8, 1990

NEWS BRIEFS

Bankrupt Pantera's may separate Pizza Inn chain

DALLAS — Pantera's Corp., operating under Chapter 11, said it may separate its Pizza Inn subsidiary from the company, leaving it "with virtually no viable operations."

Based on discussions with creditors and "court pronouncements," the company said it believes that "substantial dilution of the interests of existing shareholders is likely."

Pantera's has until Jan. 19 to file its reorganization plan.

Many of the company's debt problems stem from its 1987 acquisition of Pizza Inn, the 600-unit chain.

Commander's Palace chef exits to launch own restaurant

NEW ORLEANS — Chef Emeril Lagasse has resigned after seven years at Commander's Palace to open a 120-seat lunch and dinner establishment called Emeril's Restaurant near the Rivergate and the New Orleans Convention Center.

Lamenting the loss yet supporting Lagasse's departure, the Brennan family has moved sous chef Jamie Shannon to the executive chef spot and brought Steven Gundlach from Brennan's in Houston to handle front-of-the-house duties at the 107-year-old dining landmark in the city's Garden District.

Joining Commander's as executive chef in 1983, Lagasse had served as operations director in charge of kitchen and service since the resignation of general manager Michael Reiss last summer.

Krause's new Rose Cafe features seasonal cuisine

NEW YORK — Richard Krause, chef-owner of the highly rated Melrose restaurant here, has opened a new place, the Rose Cafe, with partners Philip Scotty and Stewart Rosen.

The 100-seat, enclosed sidewalk cafe at Fifth Avenue and Ninth Street in Manhattan replaces the short-lived Mosaico restaurant. Krause's "regional seasonal" menu features hearty dishes that change seasonally. Rose Cafe is open for breakfast and lunch, with appetizers priced at $4.50 to $8 and entrées available for under $17.

Meanwhile, Krause plans to convert Melrose to a lower-priced Southwestern bistro in the near future and has promoted former sous chef David Greenfield to head chef. Melrose partner Lee Friedman will be managing the 125-seat Greenwich Village restaurant.

Low bids spark uncertainty over Hilton Hotels fate

BEVERLY HILLS, CALIF. — Lower than expected bids for Hilton Hotels Corp., which has been on the block for nearly five months, fueled speculation that chairman Barron Hilton may delay plans to sell the business.

JMB Realty Corp., Chicago, has offered about $90 a share, or $4.36 billion, for the company, according to published reports.

Initially analysts estimated that the company would fetch from $90 to $130 a share.

Despite speculation that recently dropped Hilton's stock price, some analysts said they expected the lodging and gaming concern to change hands within six months.

Miller-Klutznick-Davis-Gray Co., a Beverly Hills, Calif., real-estate concern controlled by investor Marvin Davis, also reportedly is bidding for the company.

Hilton, which operates 270 hotels and three casinos, declined to comment.

Wilkinson succeeds Pangaud at Aurora in New York

NEW YORK — Andrew Wilkinson has succeeded Gérard Pangaud as executive chef at Aurora, Joe Baum's French restaurant in midtown Manhattan.

Pangaud left Aurora, located at 60 E. 49th St., amid speculation that he would be starting his own restaurant. His successor, Wilkinson, had been sous chef at Aurora for three years preceding his promotion.

In addition, Roger W. Martin, who owns a public-relations agency that represents restaurants in New York, has been named managing director of the restaurant.

New Year's celebrants bash Atlanta Marriott Marquis

ATLANTA — Drunken New Year's Eve revelers — many of them teen-agers — turned the atrium lobby of the 1,700-room Marriott Marquis here into a war zone when they began throwing objects over balconies of the 40-story downtown property.

Elevators were sealed off and police called to the hotel about 11:00 p.m., according to Brad Bosworth, manager at Champion's Sports Bar. Some 75 arrests were made, and Atlanta police reported 15 injuries, two of them serious.

"The idea got out that the Marriott was a New Year's Eve party place," said Bosworth, who believed the atrium presented a special attraction. He said surrounding counties were not serving alcohol because the holiday fell on Sunday night, motivating energetic out-of-town celebrants to descend upon Atlanta.

Big Boy rolls new marketing campaign

WARREN, MICH. — Big Boy has launched a new broad-based marketing campaign focusing on the 950-unit chain's new services and menu changes.

The campaign, which uses the theme "There's More To Love At Big Boy," highlights such facets as the chain's expanded luncheon and dinner menus, "health"- oriented food alternatives, new in-store bakeries, new uniforms and a new seniors' program.

D'Amico set to open two new concepts

MINNEAPOLIS — D'Amico & Partners is promising to deliver a new style of fast-food restaurant with the February opening of Toulouse in the new Gaviidae Common downtown shopping mall.

A daily changing menu will offer such specialties as gourmet pizzas, French peasant bread sandwiches, soups, salads and pastries in a quick-service format for eating in, take-out or delivery.

Simultaneously, the company will open the Azur restaurant and ballroom in the same building for full-service dining and catering. Azur will feature the foods and wines of the South of France and Catalonia, Spain.

Sonny Bryan's Smokehouse founder dies at 63

DALLAS — William Jennings "Sonny" Bryan Jr., former owner of Dallas' popular Sonny Bryan's Smokehouse, died recently of cancer. He was 63.

Bryan, who sold his restaurant in February, learned to make barbecue more than 50 years ago while he was working at his father's restaurant. He is survived by his wife of 42 years, Joanne Chapman Bryan.

Stratigakes buys Belden Delis

CHICAGO — Tom Stratigakes, a former top-level executive of Wag's restaurants, has purchased the four-unit Belden Deli chain here from the Markos family.

Stratigakes and his brother, George, said they plan to expand the Belden chain here and perhaps in southeast Florida.

Sam Markos and his family ran the delis for 16 years. The original location, at Clark Street and Belden Avenue, recently closed.

Levy reopens Chicago zoo cafe

CHICAGO — The Levy Restaurants, in a civic partnership with the Lincoln Park Zoological Society, the Chicago Park District and Thomas & Thomas Management, have restored and reopened the historic Cafe Brauer in the Lincoln Park Zoo.

An example of the Prairie School of architecture, which flourished in the Midwest in the early 1900s, Cafe Brauer will offer year-round food service on the first floor and private party space on the second floor. During the summer an outdoor cafe along the zoo's lagoon and an ice-cream shop will offer additional choices.

The restoration cost $4.2 million.

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NEWS

McCarty takes Manhattan with Michael's

(Continued from page 1)

Melrose into a lower-priced Southwestern bistro sometime this month, and customer counts are reportedly slipping at China Grill.

McCarty said his attempt at winning over New Yorkers with his California cuisine would be different. He hopes his lowered prices, larger portion sizes and regional ingredients will convince diners that California cuisine goes beyond high prices, nouvelle portions and baby vegetables.

"California cuisine is here to stay," McCarty said. "People want fresh, healthful, easy-to-eat items that can be prepared quickly and can be consumed on a regular basis."

A prime location and bright atmosphere should provide exposure to a menu that is the culmination of McCarty's years of experience gained as planner, owner and part-time chef at the flagship Michael's in Santa Monica, Calif, as well as at Adirondacks in Denver, formerly the Rattlesnake Club.

Regional American, French, Italian, Latin and Hispanic ingredients are flown in from as far away as Norway or trucked in from nearby New Jersey, which keeps food costs at a high 30 percent of sales. Many items are grilled or seared and served with light saucing or roasted peppers for flavor.

Menu descriptions are detailed, so patrons know where their oysters, steak or prosciutto originates.

Appetizers include Prince Edward Island Malpeque oysters on the half-shell with walnut toast, lemon and New York cocktail sauce and Garden State bresaola (air-dryed beef) with arugula, buffalo Mozzarella, roasted red and yellow peppers and Colavita extra virgin olive oil.

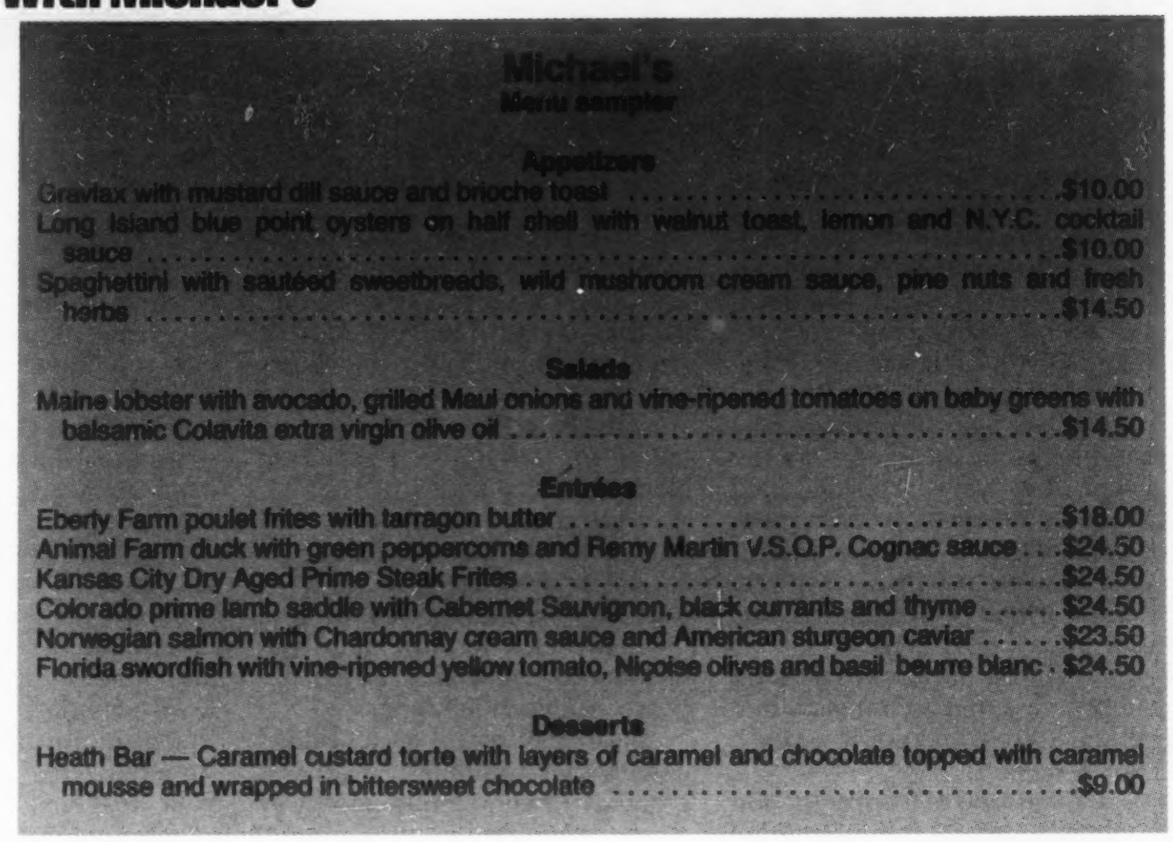
Entrées featured include Eberly Farms chicken with Montrachet goat cheese and roasted red and yellow peppers, grilled Maui onions, vine-ripened tomatoes, jalapeño, cilantro, lime and Colavita extra virgin olive oil; East Coast scallops with Chardonnay cream sauce and American golden caviar; California squab with port sauce and fresh figs; and Illinois veal with caramelized lemon.

The menu changes daily, and a special brunch menu is available on the weekends. Michael's prices reflect the current pricing structure of the other restaurants: $8-$14 for appetizers, $16-$24 for entrées and $7-$10 for desserts.

Best sellers are salmon, swordfish, chicken and goat cheese salad, and salmon salad. An average check comes to $50 per person including food, wine and the mandatory service charges.

Many New Yorkers are unfamiliar with the 15-percent service charge that is added to each check.

"It's more elegant, the customer doesn't have to do all this addition in his head and most people leave a 15-percent minimum anyway," said McCarty, defending the contoversial practice.



Michael's
Menu sampler

Appetizers
Gravlax with mustard dill sauce and brioche toast $10.00
Long Island blue point oysters on half shell with walnut toast, lemon and N.Y.C. cocktail sauce $10.00
Spaghettini with sautéed sweetbreads, wild mushroom cream sauce, pine nuts and fresh herbs $14.50

Salads
Maine lobster with avocado, grilled Maui onions and vine-ripened tomatoes on baby greens with balsamic Colavita extra virgin olive oil $14.50

Entrées
Eberly Farm poulet frites with tarragon butter $18.00
Animal Farm duck with green peppercorns and Remy Martin V.S.O.P. Cognac sauce $24.50
Kansas City Dry Aged Prime Steak Frites $24.50
Colorado prime lamb saddle with Cabernet Sauvignon, black currants and thyme $24.50
Norwegian salmon with Chardonnay cream sauce and American sturgeon caviar $23.50
Florida swordfish with vine-ripened yellow tomato, Niçoise olives and basil beurre blanc . $24.50

Desserts
Heath Bar — Caramel custard torte with layers of caramel and chocolate topped with caramel mousse and wrapped in bittersweet chocolate $9.00

The restaurateur said he instituted service charges to help management train and develop good employees. "We hire people to think," McCarty said. "We want self-motivated types."

McCarty reduced the charge from 18 percent this past summer, and he believes that the present tip system will be obsolete in the next couple of years.

"It's an evolutionary thing," he pointed out. "If you have bad service, you talk to the manager. You don't stiff on the tip."

McCarty knows that winning over neighborhood clientele is half the battle of keeping traffic counts high, and besides residents of Donald Trump's famous Tower, neighbors of the 24 W. 55th St. restaurant are mostly businessmen.

Initially, traffic has been brisk. Michael's is doing 250 lunches and 200 dinners a day, and he predicted that the 140-seat restaurant would do $5.5 million worth of sales in 1990.

"In midtown this kind of restaurant is unique," the peripatetic McCarty pointed out. "People love the art, airiness, flowers and space of the place."

Uncharacteristic of New York restaurants, the 6,500-square-foot interior is very bright, illuminated by its curtainless cylindrical front windows abutting on the sidewalk in front and its sunlit European garden out back.

The layout of the restaurant is similar to that of the Santa Monica unit and features six wooden doors, 36 well-spaced tables and a 1930s-style bar.

The walls, covered with McCarty's signature eggshell paint, blend easily with the cornucopia of modern art and the Bauhaus-style architecture, giving the restaurant an aesthetic, gallery-type ambience.

Why open a Michael's in New York? "There is a similar customer base on both coasts," said McCarty, a New York state native. "There are movie producers, networks, record companies, book agents and magazine publishers here."

And McCarty is banking on the fact that, as is true of California, business executives are always on the lookout for a new, exciting restaurant to impress a business client with — whether it be during lunch or dinner.

"It's the restaurant of the '90s," McCarty boasted.

McCarty secured the lease in 1980 from the co-op board in the building in which he lives, and it took him years of negotiation with the Italian Pavilion, the former tenant, before he could assume possession of the property.

McCarty took over the 54-year-old property on Sept. 1, and two months and $3 million dollars later, Michael's opened its doors in Manhattan.

All new equipment — everything from compressors to a new line — was installed, renovations done, art collected and a staff recruited and trained in nine months of preparation.

Yet many things still need be finished, for example, landscaping outside the glassed patio and converting a squash court into a cold storage room. The lease came with bountiful storage and work space — which is rare in Manhattan.

Comping a meal could be good business

(Continued from page 3)

tion fell below their restaurants' standards and displeased their guests.

"I have instructed all of our employees that no customer should ever have to pay for a meal that he is not satisfied with in the area of service or the food itself," said John Cates, owner of Country Cabin Barbecue, a 4-year-old, one-unit full-service restaurant in Nashville, Tenn. "If we can't get it right, we comp it."

Michael Lieberman, owner of Michael's in Chicago, a fine-dining establishment, agreed with Cates.

"We should give away a free meal if the customer has any problem that is the restaurant's fault," Lieberman said. "If the service is slow, if the order was not prepared or cooked properly, it is our responsibility."

John Winfrey, a Denny's manager in Little Rock, Ark., said that if the customer is unhappy, he deserves to be comped.

"It's my opinion that the customer, whether right, wrong or indifferent, is the boss," Winfrey said, "and he means to be taken of care the best way possible. I think comping is right in 90 percent of the cases."

But the remaining 10 percent of cases is what concerned some callers who, while agreeing in principal with comping, thought it should be done with caution and common sense.

"I believe there are no guidelines for giving away a free meal," said Todd Carson, a Bowling Green, Ky., Bresler's Ice Cream and Yogurt Shop franchisee. "But if you must give away half the store to a dissatisfied customer, then satisfy that customer, at least you'll have half of your store left.

"But if enough customers go out the door dissatisfied, then you'll just possibly loose the whole store."

Executive chef Carl Weier of the Waterbury Club in Waterbury, Conn., said that if a customer complains after eating more than half the meal, the restaurant will not comp it.

"If it's a kitchen problem or a dining room problem or the service is slow, we'll comp," Weier said. "But my basic rule of thumb is if half the meal or more is eaten, then the customer pays for it."

Joel Secrist, owner of Joel's, a family-themed restaurant in Escanaba, Mich., said his restaurant uses a percentage system to determine how much to comp.

"My managers use their discretion in evaluating the situation, and if they believe there is a problem, they determine the percentage of the comp up to 100 percent if they believe it will be beneficial for repeat business," Secrist said. "But if the complaint is centered around an individual's personal taste, we listen politely and thank him for his assistance."

Steven Josovitz, general manager of the upscale, "new age Italian" restaurant Fiasco, in Manhattan, said comping should be done only under "serious, serious" circumstances.

"If someone is coming for the pre-theater dinner and you can't serve it on time because of some large banquet or something, I think it justifies giving away a meal," Josovitz said. "If the delivery and production of the food are delayed an extremely long time, I think the customer deserves it."

MARKETING

Fast-food survey: Consumer chain loyalty a myth

Data reveals diners prefer to cross menu lines rather than stick to single chain routine

by Bill Carlino

BREA, Calif. — While full-service dinner houses and casual-theme restaurants traditionally boast a high percentage of repeat business, fast-food consumers in Los Angeles, San Francisco and Phoenix, Ariz., display little loyalty to specific chains, according to Fast-Track — a fast-food marketing survey.

"Fast-food customers are crossing menu lines," said Bob Sandelman of Sandelman & Associates, the firm based here that conducted the poll. "There's no such thing anymore as a strict 'burger user' or 'chicken user.' A regular fast-food burger consumer may not skip Wendy's to go to McDonald's, he may go to Carl's Jr. or El Pollo Loco instead."

> "There's no such thing anymore as a strict 'burger user' or 'chicken user.'"

Consumers who were polled in the Los Angeles Fast-Track segment and visit McDonald's at least once over the past month said they spend somewhat less than 25 percent of their entire monthly fast-food visits at McDonald's, while in San Francisco Burger King users dedicate more than 20 percent of their past month's visits to that operation.

Even Taco Bell, the 3,000-unit quick-service Mexican chain, could garner just 21 percent of its entire users' past month visits, according to the Phoenix Fast-Track, 22 percent in Los Angeles and about 24 percent in San Francisco.

According to Sandelman, none of the 17 chains included in the Fast-Track survey captured more than a 30-percent share of its users' fast-food visits over the past month in three markets surveyed.

"Basically, what the Fast-Track study shows is that marketing plans for the major chains should be developed on a local basis rather than a regional or national scope," Sandelman added. "Consumer preference can change noticeably in individual markets."

Conducted quarterly, Fast-Track monitors key consumer behavioral and attitudinal measures for major chains like McDonald's, Burger King, Wendy's, Subway, El Pollo Loco, Arby's, Carl's Jr. and Taco Bell.

Polling a total of 1,600 fast-food consumers in Los Angeles, San Francisco, and Phoenix who have visited a fast-food restaurant at least once over the past month, the Fast-Track survey asked the respondents 10 questions regarding their fast-food eating patterns.

The questions encompassed number of monthly visits to fast-food chains, brand and advertising awareness levels, chain loyalty and favorite chain overall.

Each question posed in the Fast-Track survey received a certain weighted percentage toward an overall score called the Composite Performance Index.

McDonald's received the highest CPI score in all three markets, with an average score of 87 followed by Taco Bell, Burger King and Jack-in-the-Box.

"Reasons for particular chain selection ranged from a convenient geographical location to fear of becoming stuck in a fast-food rut," said Sandelman, a former advertising and marketing executive.

Regional favorites like Carl's Jr. and In-N-Out Burger scored high in the Los Angeles market survey with a 22-percent and 16-percent user frequency mark respectively, while Jack-in-the-Box topped 20 percent in all three cities. Kentucky Fried Chicken scored highest in San Francisco with an 18-percent user frequency, while Wendy's enjoyed a 19-percent share in Los Angeles and San Francisco but dipped to nearly 17 percent in Phoenix.

Subway, the 4,000-unit national sandwich chain, scored relatively high in Los Angeles, with a 17-percent past-month visit percentage but dipped 3 percentage points in the San Francisco market because of strong Bay Area competition from TOGO's, a regional sandwich chain.

Said Sandelman, "Fast food is often an impulsive selection rather than a preplanned one."

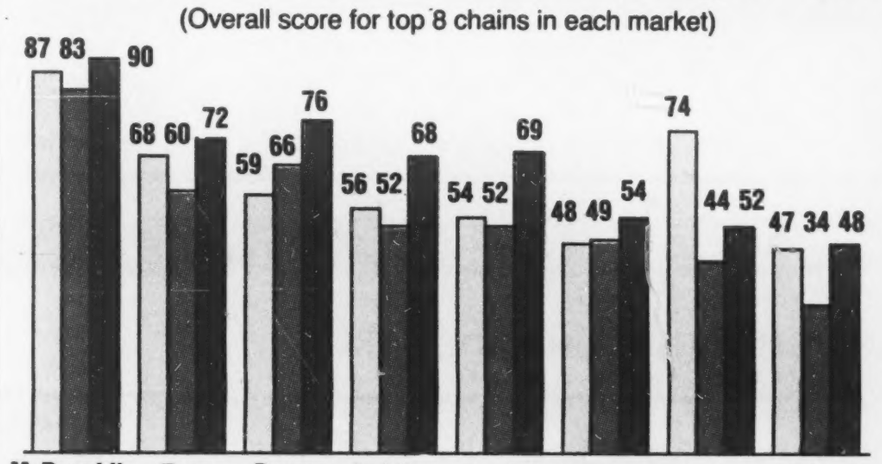
(Data reflects percentage share of past month fast-food visits to particular chain)

CHAIN	Los Angeles	San Francisco	Phoenix
McDonald's	24.5%	31.2%	25.9%
Taco Bell	22.5	23.7	21.6
Burger King	15.4	22.2	20.0
Jack-in-the-Box	18.9	22.2	20.9
Carl's Jr.	22.7	18.3	13.7
KFC	13.9	18.2	15.1
Wendy's	19.3	18.9	16.7
Subway	17.0	14.0	15.2

Source: Sandelman & Associates Fast-Track survey.

Fast-Track Composite Performance Index Chart

(Overall score for top 8 chains in each market)



Source: Sandelman & Associates Fast-Track survey.

AD WATCH

Sure beats kibble:

Renowned for its hearty portions, Ben Benson's, a 270-seat upscale steak house in New York City, encourages patrons to treat man's best friend to the leftovers via its personalized doggie bags. The ad appeared as a full-page spread in the New York Times.

"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.

MARKETING DIGEST

Riese uses 'diner' advertising

NEW YORK — The Riese Organization, operators and franchisors of about 350 restaurants under various nationally branded concepts, is offering advertising space literally everywhere in its restaurants — on menus, walls and the uniforms of the wait staff.

According to co-owner Murray Riese, the company has a yet-to-be-finalized agreement with the Phillip Morris Cos. to use the interior wall space of the restaurants for ads, while the Riese dinner-house concepts will have their menus fastened to the center of a start-up publication.

Other plans include positioning in the bar area TV monitors that will display news, weather and sports, spliced between paid advertisements.

Riese added that his organization is currently negotiating a deal with a major apparel marketing agency that would call for the serving staff to wear and or model lines of clothing.

Radisson targets Japanese guests

MINNEAPOLIS — In an effort to capture the rising number of Japanese business travelers, Radisson Hotels International is offering cultural amenities from Japan in the rooms of its San Jose, Calif., property.

When a Japanese guest arrives for check-in, the front desk staff asks whether he or she would like a Japanese newspaper or a native breakfast of vegetables, rice, and fried fish.

The hotel will also provide kimonos and guest slippers and stock the room's mini-bars with sake and several types of Japanese beers.

Little King rolls winter promo

OMAHA, Neb. — Little King Restaurants, a 100-unit fast-food operation based here, has launched "Some Like it Hot," a winter ad campaign spotlighting the chain's heated items — soup, pizza, chili and the Philly cheesesteak hero.

Advertising support for the promotion includes local radio spots, print ads, crew buttons, fliers and discount coupons.

The "Some Like it Hot" campaign will end in the spring.

FINANCIAL NEWS

Grocery food price rise, outpaces menu inflation

by Milford Prewitt

WASHINGTON — Grocers raised their prices in November to resume an upward year-to-year price rise that has outpaced restaurant menu inflation for most of 1989.

The resumed rise in grocery store food prices comes just two months after the rate of increase for menu items nearly intersected price rises at supermarkets. That was when September's year-to-year rise for food away from home jumped 4.7 percent vs. a 5-percent increase for food at home.

But when unadjusted for such events as strikes, seasonality of supplies, inflation, holidays and the like, food at home jumped 6 percent November to November. By contrast, the unadjusted rise for food away from home rose 4.7 percent in November, the same rate as September.

Both findings were the result of the monthly U.S. Labor Department's Consumer Price Index last month.

In an uncanny statistical pattern, food away from home has alternately fallen and risen exactly one-tenth of a percent in year-to-year comparisons every month since April, specifically 4.6 percent to 4.7 percent.

One interpretation from the government's report on the price of food away from home is that restaurateurs have attempted to hold the line on menu price hikes for most of the year. While in absolute terms it is still cheaper to eat at home than away, in relative terms the government's consumer price index means that prices are inflating at a slower rate in restaurants than in grocery stores.

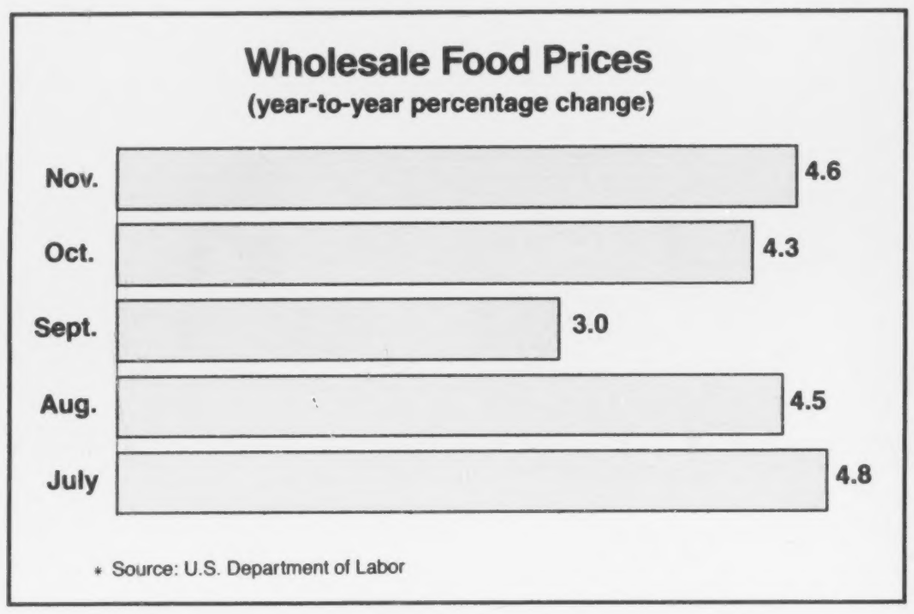
Restaurateurs' attempts to restrain menu price hikes is all the more challenging since operators are paying more for food and are generally recording lower traffic counts. The November retail sales estimate showed a 3-percent uptick in November-to-November volume, but analysts argue that the industry's rate of growth has been declining for the past six months.

According to the Labor Department's November Producer Price Index, which includes a broad review of monthly wholesale food price levels, finished consumer foods jumped 4.6 percent in year-to-year unadjusted comparisons.

The November-to-November wholesale food-price rise was led by a 23.3-percent jump in pork prices followed by a 14.1-percent hike in dairy products. As was the case in October, the continued rollout of the McRib Sandwich was again cited as a contributing factor in the rise of pork prices.

But Leland Suthered, a pork specialist for the U.S. Department of Agriculture, said the 23.3-percent price hike for pork in the producer price index may be misleading. He noted that the pork prices in the consumer price index rose only 6.2 percent since November of last year in unadjusted comparisons.

"So when you figure a drop in supply of about 4 to 5 percent, a 1-percent increase in population, a rise of 6.2 percent in the CPI seems quite reasonable," he said.



FOOD PRICE OUTLOOK

Freeze hits southern states

by Patt Patterson

The exact extent of the damage wasn't known at presstime, but the freeze that hit most of the Southern states from Texas to Florida at the end of the third week of December has caused considerable loss. Citrus groves in both Texas and Florida were hit hard, and vegetable crops in both states were damaged. Expect some fresh vegetable prices to rise, particularly in the Midwest and West. Fresh citrus prices as well as frozen concentrated orange juice prices will probably jump short term; long term is still a question.

Cheese prices seem to have stabilized. Because supplies are tight and demand high, particularly for Mozzarella, how long that situation will hold is anybody's guess. Some industry observers expect prices to fall a bit, but there is no agreement on when and how much . . . Milk products in general, with the exception of butter, are in short supply; prices could rise further . . . Future prices of butter depend upon world prices and export demand. If export demand increases strongly, prices will rise. If export demand remains stable, further price drops may occur.

Frozen broccoli and cauliflower are in tight supply, but packers are expected to rebuild inventories by spring . . . Frozen green bean supplies are good, but some packers reported tight supplies of Fancy grade . . . Frozen corn-on-the-cob supplies are below average with prices expected to increase into spring. Frozen cut corn also faces price rises.

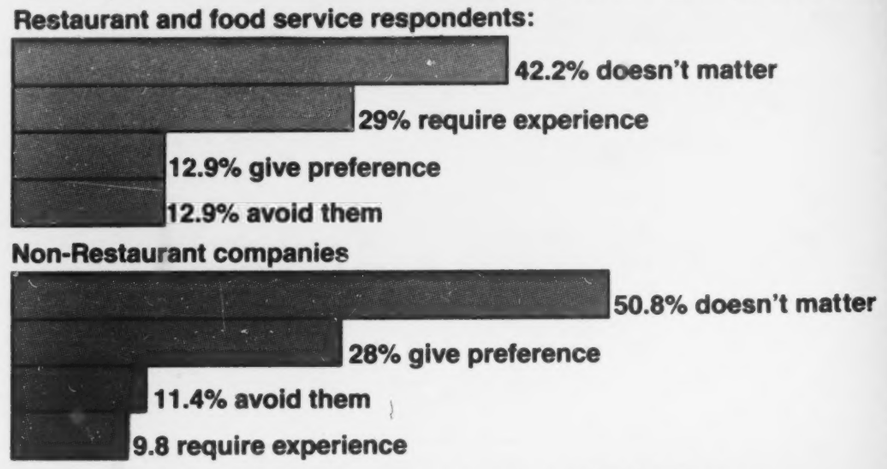
Canned corn is in better shape. Although Fancy grades and vacuum-packed cut corn are in short supply, others grades and packs are ample. Some packers are requiring wholesalers to follow mandatory ordering ratios between whole kernel and cream-style corn . . . Canned green beans are in good supply, and prices have dropped . . . Canned peas are in tight supply. Expect supplies to be prorated to wholesalers this month or next, with prices rising to reflect shortages.

NRN FACT FILE

A look at the statistics shaping the industry

Do you require franchisee prospects with industry experience?

Asked of 64 restaurant and food service companies that franchise, part of a national poll that included 229 diverse companies in nine different industries.



* Source: 1989-1990 DePaul University Francorp Franchise Sales & Marketing Survey

FINANCIAL DIGEST

Volunteer Capital Corp. posts 67% decline

BRENTWOOD, Tenn. — Volunteer Capital Corp. posted a net loss of $15.7 million for the nine months ending its third quarter on Oct. 1.

The company attributed the nose dive to the sale of its Mrs. Winners restaurant division, accounting for a $12.1 million writeoff.

For the quarter the company lost $387,000 vs. a net loss of 848,000 for the comparable time period last year.

The sale of Mrs. Winners squashed Volunteer's sales by 67 percent, from $28 million a year ago to $9.1 million for the recent quarter.

Although the company reported net proceeds of $21.9 million from the sale of its Mrs. Winner's division, it lost $518,000 on sales of $18.8 million Mrs. Winners had generated before it was sold Aug. 23.

For the nine months Volunteer Corp. recorded sales of $50.2 million compared with $79.9 million a year ago.

Volunteer's Wendy's Division grew 3.4 percent in third-quarter average store sales to $184,000. For the nine months average store volume in the Wendy's Division was $528,000, a 7- percent jump.

Herman Cain named bank chairman

OMAHA, Neb. — Herman Cain, president and chief executive officer of Godfather's Pizza, has been named chairman of the Omaha Branch of the Federal Reserve Bank of Kansas City. A director on the five-member board since January of this year, Cain will begin serving his one-year term as chairman Jan. 1, 1990.

The Omaha branch of the Federal Reserve Bank provides such services as check clearance, electronic payments and U.S. government securities, and it facilitates currency and coin transactions to financial institutions in Nebraska. Branch directors meet monthly to consider economic and financial developments and various operating matters.

Resorts International files Chapter 11

CAMDEN, N.J. — Resorts International filed a Chapter 11 bankruptcy petition and reorganization plan listing more than $300 million in secured debt.

Much of the debt consisted of high-risk, high-yield bonds sold by Drexel Burnham Lambert to help entertainer Merv Griffin buy the casino and hotel.

Griffin, the chairman of Resorts, purchased the company and its affiliates for $365 million from New York deal-maker and billionaire real-estate speculator Donald Trump in a leveraged buy-out that soon proved to be too costly for the casino operation to bear.

Under the terms of the reorganization, holders of $925 million of secured and unsecured debt will receive new bonds and a majority of the company stock. A majority of the voting bondholders must approve the reorganization.

Morrison posts 8% revenue gain in 2nd Q

MOBILE, Ala. — The opening of 14 new restaurants during the past 13 weeks helped Morrison Inc. post an 8-percent jump in profit for its second quarter ended Dec. 2.

The company made $8.7 million on sales of $229 million. For the 26-week operating period, Morrison's net income was $14.9 million on revenues of $437 million.

During the past 13 weeks, Morrison opened two Morrison Family Dining units, bringing the total company operations to 174; two L & N Seafood Grills, for a total of 23 company units; one Silver Spoon unit, for a total of seven units; and nine Ruby Tuesdays, for a company total of 98.

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Vol. 24, No. 3 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | January 15, 1990

NRN Photo

Roland and Mary Beth Liccioni in the dining room of Le Francais.

Liccionis put their personal stamp on Le Français

by Carolyn Walkup

WHEELING, Ill. — As Le Français embarks on a new decade, it is different from what it was under the leadership of its founder, chef Jean Banchet.

Roland and Mary Beth Liccioni, new owners of the Chicago area's citadel of haute cuisine, have wasted no time making over the restaurant into their own style since they bought the business last summer when Banchet and his wife, Doris, decided to take life a little easier.

Gone is the elaborate cart parade of raw products that used to precede every dinner, replaced by a shorter presentation of cooked specials. Also gone are the lengthy menu and oversized portions.

About 70 percent of the current menu is chef Liccioni's creation, he said. The first modifications he made were to lighten the sauces, reduce the portion sizes and correspondingly lower the prices.

"Our prices are about 20 percent less than they were," said Mrs. Liccioni, pastry chef and dining room supervisor. Entrée prices now average $29, compared with $35 under Banchet. Checks average about $75 for dinner and $24 for lunch, a new daypart the Liccionis have added.

Examples of daily specials likely to turn up on this winter's dinner menu include a combination of salmon tournedos with sorrel sauce and brill with a coulis of yellow tomato and basil; a combination of wild partridge, tournedos of rabbit loin and stuffed leg of goose with natural juices; and medallions of venison with quince and juniper berries.

Customers who became acquainted with Liccioni's work at Carlos in nearby Highland Park, Ill., will recognize his artistry and eye for color on their elaborately decorated plates. Written menu portrayals cannot describe embellishments such as edible butterflies made of multiple miniscule vegetables or sauces edged in purees

(See LICCIONIS, page 64)

Moynihan plans FICA cut; industry officials leery

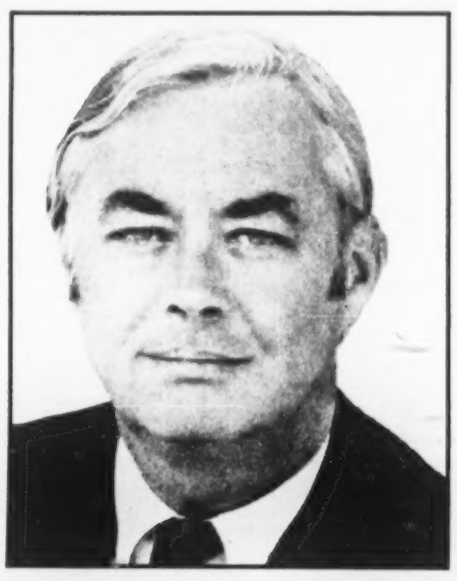
Lobbyists question senator's motives in rollback

by Peter Romeo

WASHINGTON — Instead of cheering Sen. Daniel Moynihan's plan to repeal the recent Social Security tax hike, foodservice officials said they are bridling their enthusiasm until the New York Democrat lays more of his cards on the table.

The leaders expressed fears that the powerful senator might actually be embracing the cause merely to politically set the scene for new and more expensive employee-benefits programs. But Moynihan said his sole motive is a cut in higher-than-necessary taxes.

Moynihan's proposal would roll back employers' Federal Insurance Control Act tax rate to the pre-January level of 7.51 percent, from today's 7.65 percent. The levy operators pay on behalf of their employees would be further reduced, to 6.65 percent, in 1991.



Daniel Moynihan

In addition, Moynihan wants to drop the maximum taxable compensation figure to $48,000 per employee, from the current cap of $51,300. Employers would not be required to pay FICA taxes on amounts exceeding that threshold.

The various adjustments would save employers $3.5 billion this year and $27.5 billion in 1991, Moynihan said. According to his data, a foodservice operator with a $100,000 payroll would pay $1,000 less in 1991 than he or she does today, assuming that no salary exceeded $48,000.

"Initially, it seems like a positive thing," said Pamela Sederholm, executive director of the Foodservice and Lodging Institute, a trade association for hospitality chains' lobbyists and legal counsels. "But no one has seen a definition of the terms yet. We just don't know why he's doing it."

The National Restaurant As-

(See FICA, page 63)

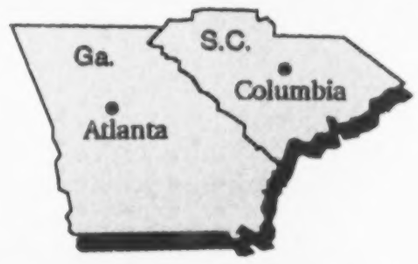
Seafood sizzles in Columbia, SC

Chains compete for a chunk of growing market

by Jack Hayes

COLUMBIA, S.C. — More than 100 miles from the nearest ocean, the landlocked capital of South Carolina is quickly becoming one of the budget seafood capitals of the South, with at least 20 local and chain operators gripped in a red-hot fry-off.

"I sometimes wonder how we stay alive here," said George Harrell Jr., who manages three budget



seafood stores in Columbia for The Shrimper, a 12-unit chain serving lunch and dinner in the "Calabash" style — a reference to the North Carolina coast.

"But whatever it is, we're going to keep doing it," maintained Harrell, who competes with a Long John Silver's, a Hungry Fisherman, five Captain D's, four Chappy's Fish & Chips, and four Parklane Seafood Houses.

Not counting the more upscale Red Lobster, which now op-

(See COLUMBIA, page 4)

PoFolks on the rebound after Ch. 11 shakeup

by Jack Hayes

NASHVILLE, Tenn. — Nine months after emerging from Chapter 11, PoFolks Inc. has cut enough fat from its once-flabby corporate gut that the 136-unit system may yet bounce back to health as a family restaurant chain.

Having announced a second consecutive quarterly profit since completing its reorganization last April, PoFolks has reopened franchising and is rolling new marketing and operating programs out of company test and into its fran-

chised stores.

At the same time the company is introducing cash bonuses on the heels of a new retirement package it set up for store managers and it's boasting that management

(See POFOLKS, page 64)

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If so, or if you have something to say on any other topic, call the NRN Hot Line to tell us what you think.

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 3 January 15, 1990

NEWS BRIEFS

Government hangs 'For Sale' signs on 50 restaurants

WASHINGTON — A federal agency is selling 50 restaurant sites as part of the government's plan to peddle the assets of failed savings-and-loan institutions.

The properties were repossessed by the lenders before they were in turn seized by the federal government. The locations are scattered throughout the nation, according to the Resolution Trust Corp., which was formed to handle the divestitures.

The federal agency is selling a total of 30,000 lots to defray the huge cost of supporting lending facilities with $120 billion in unrepaid loans.

Former VP of TGI Friday's named president of Ground Round

WOODBRIDGE, N.J. — International Proteins Corp. has tapped TGI Friday's executive Michael P. O'Donnell as president and chief executive of its newly acquired Ground Round family restaurant chain.

O'Donnell, 33, replaces chairman Eric Bernard, who died two months before IPC acquired the 214-unit family restaurant chain in November.

Prior to joining Ground Round, O'Donnell was senior vice president of operations at competitor TGI Friday's. O'Donnell's career includes a stint at Kidder Peabody, director of franchise projects at Pepsico's Pizza Hut, and president of Pollo Food Services, a Florida franchisee of the Grandy's fast-food chicken chain.

Pangaud, Keh team up to open Gérard's Place

NEW YORK — Celebrated chef Gérard Pangaud, a 21-year industry veteran and former chef at Aurora, plans to open a namesake restaurant, Gérard's Place, this week.

Pangaud and restaurateur David Keh, owner of the now-defunct David K's Cafe, will be equal partners in the venture. The new place will be housed in the David K's site at 1115 Third Ave., with an entrance on 65th Street between Second and Third avenues.

The new restaurant will feature a mix of renovated French bistro food and what Pangaud calls his own "imaginative cuisine." Appetizers, priced from $6 to $10, include pigs feet and a terrine of leeks and scallops. Entrées, all priced under $19, include grilled swordfish with marinated vegetables and smoked salmon with lentils.

Polystyrene banned in New Haven, Conn.

NEW HAVEN, Conn. — In a fit of last-minute politicking, the City Council has banned the use of polystyrene foodservice containers after July 1.

According to the Connecticut Restaurant Association, the lawmakers had earlier agreed to add amendments exempting foodservice establishments that participate in polystyrene recycling programs. Hospital feeding programs would also have been excluded.

But the council switched at the last minute and passed the measure without the amendments, the TRA said. It noted that the council's leader, who was sympathetic to the foodservice industry's concerns, was ousted by his fellow lawmakers right before the packaging ban was put to a vote.

Hamden, a New Haven suburb, has also banned polystyrene containers. Many other areas have been seeking to discourage or ban the use of polystyrene because the material is perceived as being a detriment to the environment.

Sambo's founder acquires Restaurants Etc. in Shari's push

PALM DESERT, Calif. — Sam Battistone, the founder of the now-defunct Sambo's coffee-shop chain, is leading his StratAmerica company in a buyout of Restaurants Etc., a 14-unit family dining operation based in Sacramento, Calif.

Battistone, the president of StratAmerica, said the company is exercising an option to purchase Restaurants Etc. as the first step toward developing the company's family dining division and becoming a major licensee of Shari's Restaurants. StratAmerica Corp. acquired nine Shari's Restaurants in the deal, along with five Heidi's Restaurants. The agreement also calls for a license agreement with Shari's Management Corp. allowing StratAmerica to open and operate Shari's Restaurants in Arizona, California, Colorado, Utah, and Wyoming.

StratAmerica Corp. also holds a $4.5 million note from Shari's Management Corp. It can be converted, subject to dilution, into approximately 40 percent ownership of Shari's Management Corp. which owns 32 Shari's Restaurants in Oregon and Washington.

KFC buys Australian chain, launches push in New Orleans

LOUISVILLE, Ky. — Kentucky Fried Chicken has acquired Australia's 32-unit Ollie's chicken chain for an undisclosed amount and said it plans to convert the restaurants into KFC units.

In other news, the company announced that it will strengthen its foothold in the New Orleans market by building five advance-design KFC units. KFC is leasing real-estate sites from The Schwegmann Cos., a supermarket chain. In addition, KFC will remodel two New Orleans restaurants acquired from a franchisee last fall.

In Australia's heavily populated state of Victoria, KFC will double its presence through the acquisition and conversion of Ollie's, company officials said. The move is part of a drive to bolster KFC's penetration in Australia, the company's second largest foreign market behind Japan.

Court awards $556,000 damages in disabled access suit

BERKELEY, Calif. — Judging against a restaurant that didn't provide wheelchair access to patrons, a court awarded $556,000 in punitive and emotional damages to a disabled University of California at Berkeley student.

The student, Julie Weissman, sued H's Lordships Restaurant following an "embarrassing and upsetting" incident where she had to be carried down stairs into the restaurant's dining room, according to published reports.

The key to the plaintiff's case reportedly was a builder who testified that the restaurant refused bids for the construction of wheelchair ramps at its entrance. The restaurant only had back-door access ramps.

EEOC files discrimination suit against Gilbert-Robinson

BALTIMORE — The U.S. Equal Employment Opportunity Commission's district office here has filed a discrimination suit against dinner-house operator Gilbert-Robinson Inc. on behalf of a black manager who was allegedly dismissed in 1986, shortly after the company acquired the Darryl's chain from General Mills.

The EEOC's suit alleges that Gilbert-Robinson unfairly discharged the only black general manager employed within the Darryl's chain. He worked at a Darryl's dinnerhouse in Hampton, Va. The lawsuit asserts that the company violated Title VII of the Civil Rights Act of 1964, as amended, which prohibits race discrimination in employment.

A spokeswoman for Gilbert-Robinson, which also operates and franchises Houlihan's restaurants, declined to comment on the lawsuit.

The EEOC has petitioned the court to grant a permanent injunction preventing Gilbert-Robinson from discriminatory employment practices. It also has asked for reinstatement of the discharged employee with appropriate back wages and other relief.

Homestyle elevates top execs to chairman, prexy

OLDSMAR, Fla. — Homestyle Buffet Inc. has promoted president Barry M. Rowles to chairman of the board and named George P. Burkhardt president of the 18-unit buffet restaurant chain.

Current chairman Dermot F. Rowland will continue to serve on the board.

Burkhardt, formerly president of the Darryl's restaurant chain, had been executive vice president since he joined Homestyle last August. Prior to that he was a restaurant management consultant. Early in his career, Burkhardt was an accountant with Peat, Marwick.

Nation's Restaurant News

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NEWS

Chef Lagasse opens Emeril's

by Jack Hayes

NEW ORLEANS — The chef who stepped into Paul Prudhomme's blackened kitchen clogs seven years ago at the age of 26 is tiptoeing from Commander's Palace to launch a neighborhood restaurant in this city's gentrified warehouse district in late February.

"This is my life," said Emeril Lagasse, who with his wife, Tari, is spending $500,000 to open Emeril's Restaurant, a 120-seat operation on Tchoupitoulas Street, promising $22 dinner checks — half the average cover at Commander's.

"I'll probably be his best customer," said restaurateur Ella Brennan, who hired Lagasse in 1983 to run the back-of-house at Commander's Palace, which celebrates its 107th birthday this year.

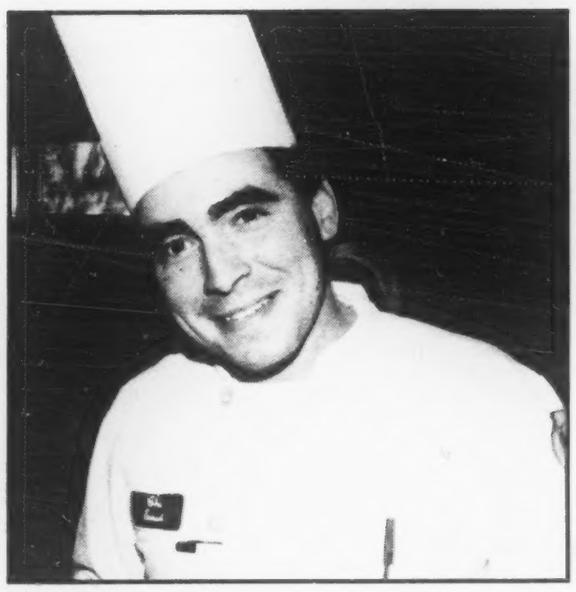
"But we're not going to miss a beat," added Brennan, who said sous-chef Jamie Shannon, a five-year veteran, has filled the executive chef vacancy, while Steven Gundlach, who trained at Brennan's in Houston, is handling Commander's front-of-the-house now. "We've got the depth."

Creating a warehouse ambience with exposed brick and industrial fixtures, Lagasse will stress casual, affordable dining. He will feature cottage-raised local game and seafood and a made-from-scratch kitchen.

Lagasse's new restaurant will serve a Tuesday-to-Friday lunch and dinner Monday through Saturday. A seven-seat food bar, extending from the kitchen, will accommodate single diners and keep the chef in the center of the action.

Lagasse, who became director of operations at Commander's last summer with the resignation of general manager Michael Reiss, had been executive chef since 1983, when Prudhomme exited to start his fame with K-Paul's in the French Quarter here.

Known for modernizing the Creole concept at Commander's, Lagasse oversaw the doubling of the back-of-house staff, to nearly 40. He also chopped the restaurant's 60-entrée menu to fewer than 20 items.



Emeril Lagasse

Columbia seafood sizzles

(Continued from page 1)

erates two Columbia units, The Shrimper also feels the splash of local budget steak houses that are promoting all-you-can-eat seafood buffets on Tuesdays and Fridays.

One of the Sunbelt region's fastest-growing markets, Columbia is bristling with more than a dozen family steak houses, another dozen Mexican dinner houses and more than twice as many Chinese restaurants. In addition, the town has the powerful 12-unit Lizard's Thicket chain and five local Shoney's.

"You can't sell a burger, beer and fries for over $5 in Columbia," said Duncan MacRae, who moves big poundage in $4.89 Southern fried chicken and $4.79 Confederate fried steak at Yesterday's, a 12-year-old neighborhood-style tavern and restaurant in the Five Points district near downtown.

Nevertheless, Applebee's is scouting a third unit here, and T.G.I. Friday's is due to enter Columbia this January, prompting rumors that Bennigan's and Chili's will also open stores in this metro market of 475,000.

Harrell, who moves about 900 pounds of shrimp a week per unit, pinches operating pennies with paper plates, commissary purchases, competitive leases and a hybrid blend of counter-and-table service in his 110-seat restaurants.

Large portions with large value are the secret behind 300 average weekday checks of $6.75, cooked and served by five employees per shift. When shift counts grow to nine on weekends, the covers nearly double also.

"Increase prices 1 percent and your customer counts drop," said Harrell's father, Manning, a partner in seven of The Shrimper's, where food and paper costs range between 40 percent and 42 percent.

To the amazement of Columbia's veterans and newcomers, a 12-year-old family dining chain called Lizard's Thicket continues to fatten in this market despite the abundance of budget competitors.

The locally grown concept serves breakfast signatures like Low-Country Liver Pudding, with two eggs, grits and biscuit, for $2.95, and country lunch and dinner combinations of vegetables and meats for $3.99 and up.

Lizard's Thicket has no qualms about opening new stores within a mile of existing units, and the chain continues mocking the market by making winners out of others' failed sites. Yet Lizard's Thicket knockoffs haven't worked.

"We've been copied down to our menu boards by competitors who aren't around any more," said Anna Williams, who opened the concept with her husband, Robert, and whose seven children help run the business.

Lizard's Thicket features three to five meats and 18 vegetables daily. Nine desserts, ranging from blackberry cobbler to carrot cake — all priced at $1.15 — are listed separately. Children's plates are $2.19.

MacRae, Yesterday's operator who opened just two weeks after the first Lizard's Thicket in 1977, does lunch, dinner and late-night food with midday checks averaging $5.23 and evening checks $8.72.

And MacRae's concept has prospered despite the entrance of Applebee's and some neighborhood tavern independents. A onetime Hilton food and beverage man who learned to cook from his grandfather in Philadelphia, Macrae averages 600 covers a day with only 140 seats.

Pushing harder with food because of shrinking beverage sales, Yesterday's 90-item menu offers five burgers, six American regional plates, eight chicken combinations, six seafood dishes, six Mexican items and six salads.

Caterers get creative with Table for Two

(Continued from page 3)

prosciutto and coated with fresh lime juice and a bit of black pepper. The entrée was swordfish fillet marinated in tangerine and fresh pomegranate juice, accompanied by a side dish with julienne of melon, cucumber and roasted red pepper.

"It's fairly regionally based. It's multidimensional," said Crampton of Table for Two's meals. "It has great color. It's freshly done. It's texturally oriented with no rich cream sauces."

Table for Two tries to be unique not only in its presentation but also in the fact that people don't know what's going to be served until they arrive. Fish dishes are planned a day in advance with game meats planned five days in advance.

Some side dishes may be determined as late as one hour before the day's customers arrive.

The menu is also themed according to the season and the availability of products. In the fall, game meats may be more prevalent than fish, particularly salmon and sturgeon, which is popular in spring and summer. Wild mushrooms and squash will also be featured in the fall. Asparagus, spinach and berries are offered in the spring.

Tomatoes, sweet peppers and baby zucchini are popular in summer.

Briggs and Crampton will take into account a customer's allergies as well as what he or she doesn't like to eat. Requests for preferred dishes will be listened to but not necessarily honored.

"If everyone told us what they want, the fun and mystery would be lost for them and the spontaneity would be lost for us," Crampton said.

That spontaneity is only part of the restaurant's overall charm. Table for Two is located in the front room of a house that was built in 1900 and also home of the catering business.

The cozy room contains an antique marble secretary, where the dishes are kept. An old English armoire holds the wines. Wine or water are kept on a bar by the wall. The lighting is fairly dim, with a floor lamp in one corner, a lamp on the bar and several lights by the armoire to highlight the bar. All other light comes from natural lighting outside. Soft jazz or classical music plays in the background.

Crampton said that although Table for Two is romantic and lunches have lasted as long as five hours, the long wait for reservations has prevented any marriage proposals.

"I think they've had to wait so long it spoils the routine," Crampton said.

Because Table for Two is so minute, food is ordered in small quantities and sometimes on short notice. However, the presence of the catering operation and its larger food requirements make things easier since orders are combined for the two businesses.

"There's such a flow of food through here, it's the advantage of having it tied into the catering business," Crampton said. "They will deliver 1 pound of fish because, over time, we're ordering large volumes of things for catering."

And the demands of the catering business as well as the size of the room also keep Table for Two from becoming Table for More Than Two. Crampton said that lunch is the only meal served because it's more in the flow of the day of the catering business.

CORRECTION

Data in the NRN Stock Index were incorrectly reported for the weeks ended Dec. 15 through Dec. 29. The erroneous information was published in the Jan. 1 and Jan. 8 issues. Corrected data now appear on the Stock Tables page.

The error was made when seven companies were added to the list without making the necessary adjustments. The correct index points are 207.11 on Dec. 15, 208.92 on Dec. 22 and 210.74 on Dec. 29. The following companies were added to the index: Applebee's, Chart House, Eateries, QSR, Rally's, Skyline Chili and Steve's Homemade.

FINANCIAL NEWS

Analysts expect Hilton sale despite reports of low bids

by Alan Liddle

NEW YORK — Hilton Hotels will probably be sold, but at a price much lower than was predicted by Wall Street, analysts said after the company's stock dipped sharply in response to unofficial reports of low bids.

"Between now and the end of the first quarter we would not be surprised to see a transaction," Steven Eisenberg, leisure industries analyst for Bear Sterns, remarked. He said it was "highly likely" that Hilton would be sold in its entirety and that "a legitimate bid will likely be in the mid to upper $90s per share on the low end and from $105 to $110 on the high end."

Though he disagreed about the price, Smith Barney Inc. analyst Joseph J. Doyle said he, too, thought a sale would take place.

"It's a good near-term trade because the stock is undervalued, and we think a deal could be announced [this] month in the low $90s," Doyle said when Hilton shares were selling for $83.

Some analysts had predicted last summer that Beverly Hills-based Hilton, with about 270 hotels nationwide and three casinos, might attract bids of from $120 to $130 a share. Buoyed by such talk, the company's stock, which traded for as low as $48 a share last year, rose to a 1989 high of $115 in August.

Late last month Hilton stock dropped by nearly seven points, to $83, after reports in The Wall Street Journal said that two bidders were offering little more than market value, or $90 a share. The article, attributing information to unidentified "people close to the deal," said that while "at least one Japanese company" is "still in the picture," that foreign firm was not likely to come away with Hilton.

Neither of the company's mentioned as bidders in the article, giant JMB Realty Corp. of Chicago and Miller-Klutznick-Davis Gray Co. of Los Angeles, would comment about the news report or their interest, if any, in the hotel company.

Late last month, Hilton stock dropped by nearly seven points to $83 after reports in the Wall Street Journal said two bidders were offering little more than market value, or $90 a share.

Hilton declined to comment on the article, negotiations in general, the status of its evaluation of alternatives to the sale, which include pulling the company from the market and spinning off the gaming operations.

Addressing the vast gap between the bids anticipated by some on Wall Street and the bids reported by The Journal, Smith Barney's Doyle indicated that recent history might be behind some of the inflated expectations.

"Intercontinental, Westin and Ramada went at multiples of about 20 times [pretax cash flow], but those were strictly hotel operations," he explained. "And in the case of Intercontinental and Westin, there were some well-recognized international hotels.

"Hilton, as it is currently configured, is half a gaming company and half a hotel company. . . . And it doesn't have an international presence — the International [division], by definition, is a separate company."

Doyle also said he believed some Wall Street bulls "went wrong" by "putting big teen and low 20 multiples on the [value] of the entire Hilton operation." Investors, he said, "are not yet willing to pay double-digit multiples for gaming operations."

While Hilton might elect to spin off the gaming business and sell just the hotels to "capture the fat multiples," Doyle said other factors could discourage such a strategy. The "intermediate perspective" of the gaming industry indicates competition could "become intense," he said. "So now might be a good time to think about selling."

Eisenberg of Bear Stearns had some other ideas about the factors shaping Hilton bids.

"I think a lot of people believed several months ago — in an environment where Japanese companies were active in the [United States] real-estate market because of the softness of the dollar — that such [$120 to $130] bids were possible," he said. "But the world has changed a bit since Oct. 13 when the market fell off . . . and the junk bond market fell off."

Eisenberg indicated he would not be surprised to learn that one or more of the bidders for Hilton leaked information to The Journal in an attempt to "do their negotiating through the press."

He characterized the spurt of Hilton stock sales that followed publication of the story as "clearly an overreaction" and observed dryly, "no bidder steps up to the plate with his best offer."

FOOD PRICE OUTLOOK

Christmas freeze boosts prices

by Patt Patterson

The extent of the Christmas freeze through the South is now clearer. Above-ground crops of fresh vegetables in Florida and Texas were badly damaged. Some farmers reported 100-percent loss; others, from 25 to 75 percent, depending upon location. Prices in the Northeast and Midwest are rising on the shortages.

Most of Florida's unpicked oranges were saved by rushing in picking crews and trucking them to orange concentrate processing plants that worked 24 hours a day. Big surpluses of Brazilian concentrate is hoped to moderate or even contain price hikes for concentrate. Fresh-fruit prices are rising.

But estimates of damage to trees run from 20 percent to 40 percent. In recent years Florida has never been able to recover from one freeze before another hits, even though much of its orchard activity has moved into the southern part of the state. Texas growers, also recovering from a previous freeze, have been hit hard. Damage is reported to some grapefruit orchards.

Frozen asparagus prices moved up at the beginning of January.

Heavy imports of frozen broccoli have kept prices stable, even though California's pack is down to about two-thirds of the previous year's pack.

Exports are keeping dry-bean prices up, although the 1989 crop was 25 percent higher than 1988's.

Lent does not start this year until Feb. 28. Expect seafood packers to offer Lenten promotions.

Canned salmon and canned tuna prices have been lower because of larger supplies.

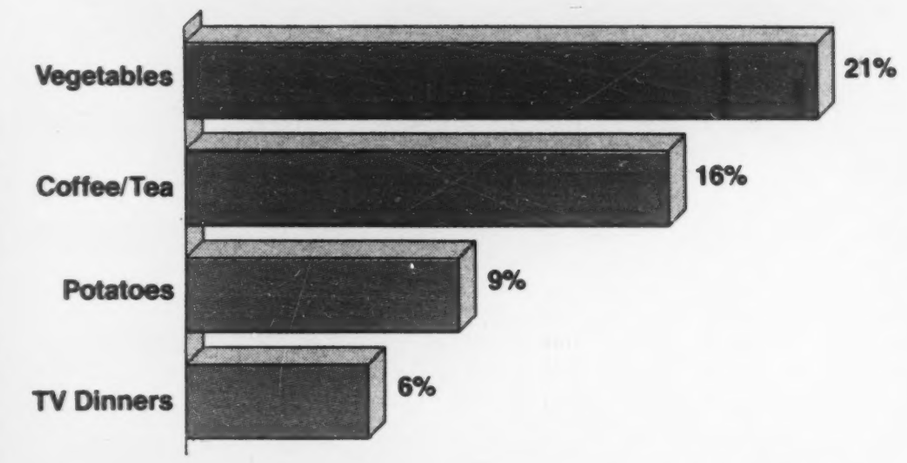
Frozen-fish prices remain high, with cod and flounder imports down.

Shrimp imports through most of last year were level with those of the previous year despite greater demand here. Shrimp prices should move upward to summer.

NRN FACT FILE

A look at the statistics shaping the industry

Foods consumers microwave most often



* Source: National Eating Trends Report on Food Preparation

FINANCIAL DIGEST

Ark reports $43,606 loss for year

NEW YORK — Ark Restaurants said a $308,700 write-off from the closing of its Big Kahuna restaurant and operating losses at four new properties led to a $450,120 fourth-quarter loss, more than double the $209,000 it lost during the year-ago quarter.

Year-to-year fourth-quarter sales jumped 20 percent, to $8.2 million.

Ark blamed the loss on the closing and conversion of the Big Kahuna into K-Pauls's New York and operating losses at that new restaurant and three others opened during the fiscal year — America in Union Station; the train depot in Washington, D.C.; An American Place; and Gonzalez y Gonzalez.

For the year ended Oct. 1, Ark lost $43,606, compared with net income of $848,000 in the prior year, on a 3-percent increase in sales, to $38.4 million.

Ark Restaurants operates 14 distinctly themed restaurants in Manhattan; Boston; and Washington, D.C. The company manages four other restaurants and one bar from which it earned a pretax management fee income of $708,941 in fiscal 1989 vs. $460,870 in the prior year.

Ramada shareholders to get Aztar stock

PHOENIX, Ariz. — Ramada shareholders will receive cash and stock in Aztar Corp., a company formed to operate Ramada's present gaming activities.

The deal is part of a major restructuring program Ramada earlier announced in concert with New World Hotel Holdings Ltd.

When the Ramada-New World transaction is completed, Ramada shareholders will be entitled to receive $1 per share in cash and one share of stock in Aztar for each share of Ramada common stock. They will also receive 1 percent per share in redemption of their preferred stock purchase rights.

Shareholders approved the transaction during a meeting at the Ramada Valley Ho Resort in Scottsdale, Ariz., in early December.

The company has approximately 40.5 million shares of common stock outstanding and about 26,000 shareholders of record.

Horn & Hardart names Garten CFO

NEW YORK — Wayne P. Garten has been named senior vice president and chief financial officer of Horn & Hardart, operator of 83 International King's Table units and 151 other restaurants, including Automats and David's Cookie outlets.

Garten succeeds Gerald Zarin, who is leaving the restaurant industry, the company said.

Before joining Horn & Hardart in 1983, Garten, a certified public accountant, was controller of a Connecticut-based holding company.

Vicorp's posts $9.8M profit in fiscal 1989

DENVER — After suffering a loss of $6.2 million in 1988, Vicorp Restaurants Inc. showed an increase in net income, to $9.8 million, on an 8-percent rise in sales, to $362.6 million, for the fiscal year ended Oct. 29.

For the fourth quarter, the company said net income was $3.1 million vs. a $10.2 million loss in the prior period, while sales crawled 1 percent, to $86.2 million.

Fiscal 1989 results include 52 weeks of operations compared with 53 weeks in 1988 owing to an accounting change, and 12 weeks vs. 13 weeks, respectively, during the fourth quarter. Results also include a $12 million writedown for assets taken in last year's fourth quarter.

The company attributed comparable restaurant sales growth of 9.2 percent to better cost controls and above-average sales gains from units in California and Florida.

Vicorp operates and franchises more than 400 Bakers Square and Village Inn restaurants, primarily in the Southwest and upper Midwest.

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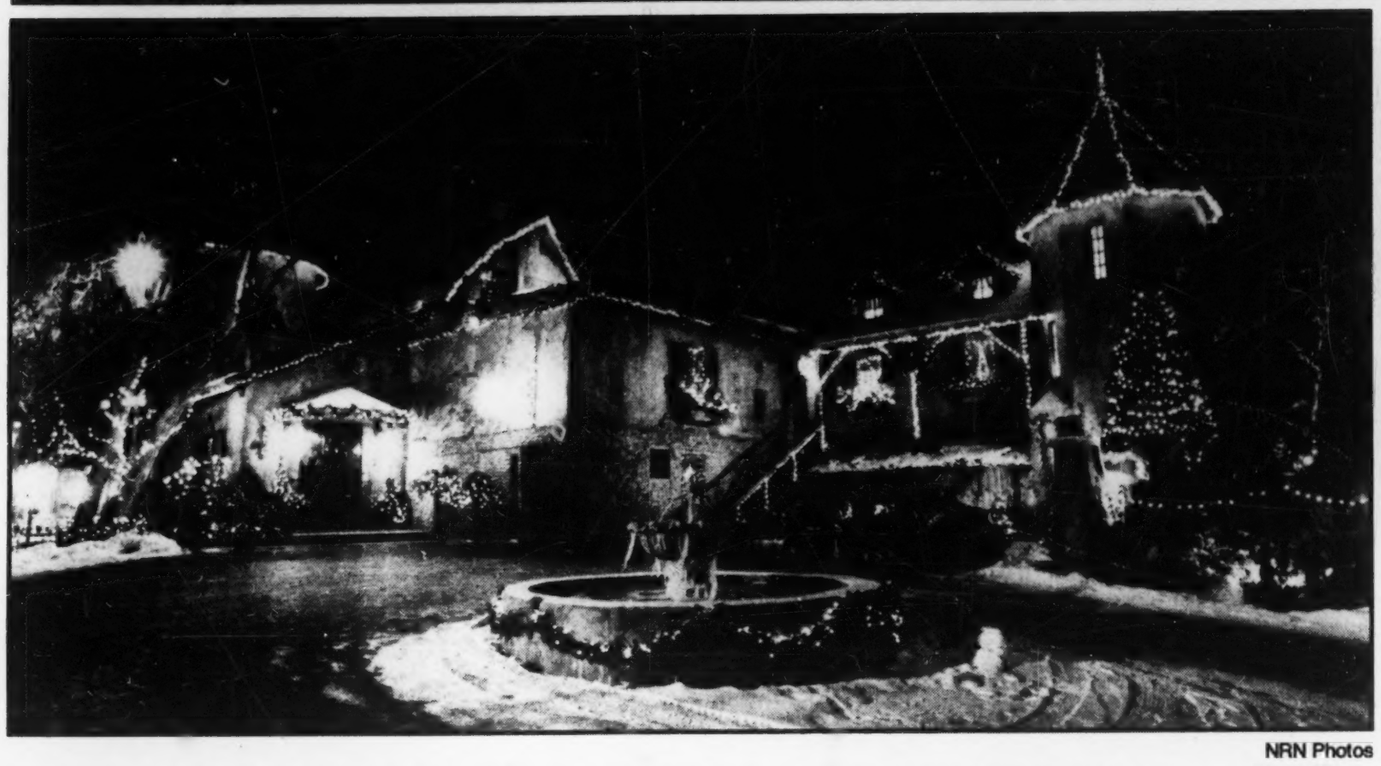
Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

Vol. 24, No. 4 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | January 22, 1990



NRN Photos

La Caille at Quail Run, a destination restaurant minutes from downtown Salt Lake City that serves Continental cuisine in a French farmhouse setting, glistens at night under a light blanket of snow.

Disney touch packs 'em in at Utah's priciest eatery

by Alan Liddle

SALT LAKE CITY — Situated in a striking re-creation of an 18th century French farmhouse, La Caille at Quail Run, Utah's priciest restaurant, is peddling its No. 1 commodity — romantic evenings — at a fast and furious pace.

The 15-year-old, 310-seat restaurant, which is nestled among a vineyard and lush gardens about 20 miles from downtown, enjoys a per-person average of $58 and annual sales of more than $3 million, management says.

"La Caille is the highest priced restaurant in Utah," says Utah Restaurant Association executive director Ronald L. Morgan. "But they do a whale of a business."

Morgan says that in Utah, theme restaurants with average tickets in the mid teens have done the best job of attracting consumers in recent years.

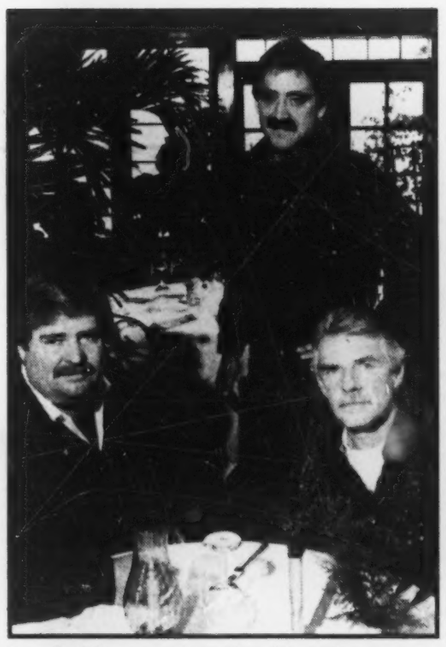
La Caille's ability to sell $20 and $30 entrées supports Morgan's belief that the 15-year-old establishment is "the elite of the white-tablecloth restaurants in our state."

In comparison, The New Yorker Club, one of Utah's best known and most successful fine-dining operations, reports an average ticket of $30 at dinner.

The concept works, insiders point out, because its creator, David Johnson, and his partners, Steven Runolfsen and Mark Haug, strive to captivate customers from the moment they hit the property line — a philosophy they say they learned by studying Johnson's idol, the late Walt Disney.

The restaurant association's Morgan credits La Caille's success

(See LA CAILLE, page 61)



La Caille creator David Johnson, right, with partners Mark Haug, standing, and Steven Runolfsen.

Dairy costs surge; menu prices follow

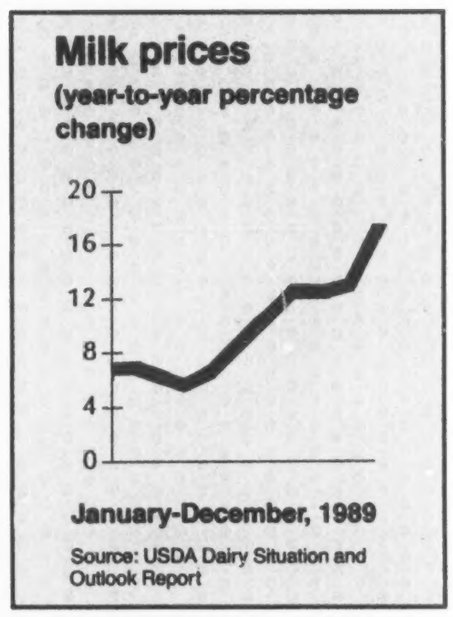
by Milford Prewitt

Rapidly rising dairy and cheese prices are spurring restaurants to raise menu prices and to promote other parts of the menu to stave off margin erosion.

Operators in the pizza, Tex-Mex and ice-cream segments have been particularly hard hit as cheese and milk began soaring in June and have yet to show any sign of leveling off. In December, the wholesale price of milk was 27 percent higher than it was in June and 17 percent higher than prices paid in December 1988.

"We've never seen these kinds of increases before," said Ed Coughlin, director of regulatory affairs for the National Milk Producer's Federation.

Among well-known chains that have opted to raise menu prices or are soon to do so as a result of the inflation in cheese and milk are Pizzeria Uno, the casual-themed, full-service pizza chain; El Chico, the 92-unit Mexican dinner-house chain; and Bresler's Ice Cream and Yogurt Shops, with more than 300 stores.



Bob Brown, senior vice president of finance for Uno Corp., operators of Pizzeria Uno, said the company raised prices 2.5 percent in November alone, more than half of the 4 percent total price hike the company imposed through all of 1989.

Although prices were rising

(See DAIRY, page 60)

Soliman sells Del Taco, Naugles

New owners drop menu prices in bid to revive ailing chains

by Richard Martin

COSTA MESA, Calif. — Thwarted by rival Taco Bell's price-cut-driven sales surge and pressed by debts from his 1988 buyouts of Del Taco and Naugles, restaurant mogul Anwar Soliman has sold the slumping fast-food chains to their four top executives for an undisclosed price.

Backed by GE Capital Corp., the same financial source that initially supported Soliman, the new owners of AWR II Inc. immediately reversed Soliman's marketing strategy by lowering prices at their 289 Del Tacos in California, one in Arizona and 60 Naugles outlets in California, Utah, Neva-

(See SOLIMAN, page 61)

Anwar Soliman

McD cries 'Fowl!' over KFC TV spots

by Bill Carlino

LOUISVILLE, Ky. — Kentucky Fried Chicken has fired an explosive salvo in the market-share battle against the chicken items offered by McDonald's with a satirical TV campaign that has both the hamburger giant and advertising censors for CBS-TV squawking "Low Blow!"

Dubbed "Project M," a pair of 30-second spots casts a nerdish man with red hair and a bright yellow sport coat, identified as only as "Mr. R. McDonald." In the commercials, the bumbling character is interrogated in a mock congressional hearing about the value of McDonald's Chicken McNuggets and McChicken sandwich.

In the first of the two spots, the committee spokesman tells

(See KFC, page 60)

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If so, or if you have something to say on any other topic, call the NRN Hot Line to tell us what you think.

When you call, an answering machine will ask for your statement. Please tell us your name, the type of operation in which you work and your phone number so that we can confirm your statement for possible publication. But if you wish, you may remain anonymous.

Call the NRN Hot Line: 1 (800) 678-7711.

Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $39.75; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except that last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 4 January 22, 1990

NEWS BRIEFS

Sales flattened; food costs leaped in December

WASHINGTON — Sales growth at restaurants and bars slumped sharply in December while wholesale food prices surged and nearly tied a year-high record.

Sales at restaurants and eating places grew by a slim 1 percent in December from the year-ago month, according to the Bureau of Labor Statistics, monthly retail sales report.

The 1-percent gain followed a 3.0-percent year-to-year rate in November and a 2.1-percent annual increase in October. The figures are not adjusted for inflation or seasonal trading-day differences.

Prices for wholesale foods rose at a 5.3-percent year-to-year rate in December, the bureau reported, which was second only to July's 5.4-percent pace. In November the Producer Price Index rose at a 4.8-percent rate.

Ritzy's founder seeks control of Treacher's

COLUMBUS, Ohio — Auto Cafe Systems, a company headed by G.D. Ritzy's founder, Graydon Webb, is attempting to buy a majority interest in the Arthur Treacher's quick-service seafood chain.

"We think it's a company that, with an injection of working capital, could be returned to the path it was once on," said Patrick Hickey, Auto Cafe Systems' spokesman. "We have been talking for several months."

Since July 1988 Treacher's has opened 32 new franchised units, mostly in shopping malls, for a total of 100 restaurants, said James Cataland, president. He noted that the company has reduced its losses in each of the last four years.

Illinois passes no-smoking law

SPRINGFIELD, Ill. — Illinois has passed a law that limits smoking in restaurants and public buildings to designated areas.

The ordinance, which takes effect on July 1, allows operators of restaurants with more than 50 seats to determine the size of the smoking and no-smoking sections. Bars, bowling alleys, rooms rented for private functions and restaurants with 50 or fewer seats are exempt from the law.

The Illinois Restaurant Association has lobbied for passage of this version over various other smoking restriction bills that the state legislature had considered and rejected over the last 15 years. Andrew Kelly, IRA executive director, said he especially likes a clause that prevents municipalities from passing stricter laws.

Keller leaves Rakel, which plans to restyle

NEW YORK — Thomas Keller, considered one of the city's most innovative American chefs, has left Rakel, an upscale French-American restaurant in Soho.

Keller, who co-owns the restaurant with Serge Raoul, said he is leaving because Raoul wants to simplify dishes, lower the prices and increase the volume.

"I'm not geared toward doing 250 covers a night," Keller said. "It's not my style." He said he would maintain his equity in the restaurant and added that he does not know what his next move will be.

Raoul, who also owns Raoul's restaurants in Manhattan and Nyack, N.Y., plans to rename the restaurant Le Select and refashion it in the style of an "international grand cafe." Epicus Corp., a consulting group, is assuming management of the restaurant. Stephen Kalt, most recently sous chef at Huberts, is the new executive chef, and Andrew Zimmern, formerly general manager at Isabella's, is the new general manager.

San Francisco proposal seeks written MSG warnings

SAN FRANCISCO — Under a proposed ordinance to be considered by county supervisors this month, restaurants would be required to notify patrons in writing if monosodium glutamate, MSG, is used in the preparation of food.

The MSG notice proposal was put forth by supervisor Wendy Nelder, a veteran board member who has successfully championed other measures relevant to the restaurant industry, including San Francisco's non-smoking section law. A Nelder aide said research shows that MSG can cause a variety of health problems, including headaches and swollen glands, in a large number of people.

Officials of the Glutamate Association, a trade group representing MSG producers, dispute Nelder's contentions about widespread health risks, if any, posed by MSG and oppose the notification requirement.

Taco John's asks competitors to join co-op

CHEYENNE, Wyo. — Taco John's International, operator of 452 fast-food Mexican restaurants in the United States and Canada, said it is attempting to create a purchasing co-operative for Tex-Mex restaurants.

The 110-unit Taco Bueno and 93-unit El Chico chains, both of which are based in Dallas, have expressed interest in the co-op, said R. Brent Murray, Taco John's vice president of purchasing and distribution. At least eight other Mexican chains have been contacted.

Taco John president and chief executive Rex Washburn initiated the project to lower participants' supply costs.

Jacobs requests more time to buy Restaurants Unltd.

SEATTLE — E.S. Jacobs & Co., the New York investment company seeking to buy restaurant-operator Restaurants Unlimited Inc., has asked for an additional three months to finalize arrangements for the proposed friendly takeover, according to RUI chairman Richard Komen.

Komen said both parties remain "committed" to the deal, which would leave Restaurant Unlimited's management with their current jobs and a minority interest in the company. But Komen said that Jacobs officials would not be able to complete the transaction until the end of March.

"Everything is on track," asserted Robert Nowlin of E.S. Jacobs. "We're in the process of putting financing together."

LA considers residential ban on catering trucks

LOS ANGELES — Representatives of the county's 5,000-truck mobile catering industry said they would fight Los Angeles city proposals to ban restaurant vehicles from residential neighborhoods, limit stops to 30 minutes and boost fines.

The City Council is expected to consider the half-hour-stop limit this month. About 50 independent operators recently drove their catering trucks around City Hall and picketed there to protest the proposals, which were prompted by complaints about road hazards, sidewalk obstructions and drinking by unruly patrons.

Legislators tackle 'backhauling' issue

WASHINGTON — A House subcommittee is drafting legislation to prevent shippers from using empty food transport vehicles to cart hazardous materials.

"We heard guys tell us that they'd haul a load of milk, wash out the tank and then haul a load of hydrochloric or sulfuric acid — in the same tanks," said Dave Springer, a legislative assistant for Congressman Thomas Manton, a New York Democrat.

The practice, known as "backhauling," has been spotlighted in a flurry of news reports. However, distribution experts have asserted that the danger is almost unknown in foodservice.

California mandates nutrition rules for school meals

SACRAMENTO, Calif. — California has become the first state to mandate restrictions on the amount of fat, saturated fat and cholesterol in school meals.

The law, enacted Jan. 1, requires the establishment of nutritional guidelines for all foods and beverages sold at elementary and high schools and requires educators to select food purchases on the basis of lower fat and cholesterol contents.

"Throughout the nation our kids are showing unprecedented risk factors for heart disease that include elevated levels of cholesterol, obesity and high blood pressure," said Assemblywoman Jackie Speier, D-San Mateo/San Francisco, who authored the legislation after finding corn dogs and greasy potatoes on the lunch menu of a grammar shool in her district.

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NEWS

Operators urged to start recycling in face of mounting garbage crisis

by Peter Romeo

WASHINGTON — In what officials hailed as the industry's first congress on the solid-waste issue, foodservice operators and suppliers implored restaurateurs to embrace recycling as a first defense against the nation's crippling garbage glut.

Citing case histories, the speakers said that the recovery of reusable restaurant trash would lower hauling fees, generate a slight but steady income stream, and garner favorable publicity. But they asserted that the most important payback would be a shift in operators' attitudes.

"If you can get your business and your community into a recycling mode, you'll have a lot fewer problems than you will with packaging bans and laws," said Charlie Beck, manager of environmental issues for James River Corp., a supplier of foodservice disposables. "You've got to get into this mode of thinking."

The one-day seminar was held at the J.W. Marriott hotel here by the National Restaurant Association.

Throughout the event, speakers urged operators to protect their businesses and the environment by voluntarily reducing the amount of garbage that flows into the nation's few remaining landfills. Many identified recycling as the most feasible method.

Hesitation, they warned, will foster clumsy legislative attempts to ease the glut.

"Legislators often single out the foodservice industry as a cause of the problem and initiate legislation aimed at us," said NRA president Bud Rusitzky.

Typically, solid-waste laws ban or tax certain types of foodservice containers. Other areas have attempted to curb garbage output by raising disposal fees.

"The private sector must get involved early to convince the public that they're not the bad guys," advised Sen. Max Baucus, a Montana Democratic. "You've got to come up with your own solutions."

"Be proactive," counseled Bill Jacoby, a brand manager for the foodservice division of Procter & Gamble.

"Consider making one change just to get your feet wet," advised Maryknoll Benner, director of field and regulatory quality assurance for Taco Bell. "The other cards will start to fall into place."

She described how the Mexican fast-food chain had been walloped in Glen Cove, a New York suburb that suddenly banned

Charlie Beck

nonbiodegradable foodservice containers last year.

"Our packaging costs increased by 100 percent," she said. "We had to make 16 packaging changes in all."

For instance, the restaurant replaced plastic coffee-cup lids with paper disks that are shoved down into the mouth of the cups.

And, one of outlet's side dishes was served in a disposable bowl that was capped with a plastic lid. Now the bowl is nestled in a clamshell-type cardboard package, without any type of tight-fitting closure.

"Our customers complained about spills," Benner said. But, "we did what we had to do."

On the positive side, "our customer counts did increase," said Benner. "That could have been the result of the publicity. But the changes coincided with the rollout of our new value menu, and I'm sure that had some effect as well."

Today, she noted, Taco Bell is exploring ways to recycle soiled paper food containers, and is working with a recovery specialist to determine what other components of a unit's trash could be recycled.

"There are millions of dollars that can be saved through source reduction," she said.

"Manero's, a restaurant in Florida, saved $28,000 during its first year of recycling glass," said David Baker, executive director of Southeast Glass Recycling Program in Clearwater, Fla. He explained that the bulk of the savings came from a reduction in the place's garbage disposal fees.

"We had fewer 'pulls,'" a pull being the number of times a carter hauls the trash bins away, said Bernie Schreiner, the proprietor of Schreiner's Restaurant in Fond du Lac, Wis. "And once our [recycling] program was going, we had quite a nice increase in business."

However, presenters acknowledged that recycling poses some startup problems for restaurateurs.

For instance, McDonald's groundbreaking polystyrene recovery program in New England costs "$400 to $500 per month," said Michael Donahue, manager of state government relations for the hamburger chain.

"There are economic trade-offs," he said. "But it's good business to recycle. Our customers seem to appreciate it."

"Studies have shown that consumers are starting to choose products on the basis of their recyclability," said Tom Stengel, director of marketing for Container Recovery Corp., Anheuser-Busch's aluminum-recycling subsidiary.

And, declared McDonald's Donahue, "no matter how small a part of the problem we are — 0.25 percent or whatever — it doesn't absolve us from the responsibility to do something to solve the problem. We encourage you to recycle."

"It was July of 1988 that I really began to get concerned about this," said Schreiner. "I witnessed the closing of a landfill site about three miles from my restaurant."

The sight showed him that every business will soon have to handle its refuse differently. And if operators don't assume that responsibility, legislators will force it upon them.

"The time has come for us to take postive action," Schreiner declared.

"We are going to have to pay, in dollars or in other tradeoffs," said Bob Clift, executive vice president of the Oklahoma Restaurant Association.

"The time has come for all of us to ask, doesn't it make sense to start separating your trash?," said Tom Rattray, associate director of Procter & Gamble's packaging division. "Do you know which of your vendor's packages are recyclable? Do you tell your vendors that you want corrugated [cardboard] that's made from recycled materials?"

"Get involved, get involved, get involved," implored James River's Beck. "We hope you will get an environmental orientation ingrained into your business."

Fast-growing chains lead rise in restaurant stocks

(Continued from page 3)

ported sluggish mid-year results, investor enthusiasm dampened, he noted.

Although the NRN Index also slumped sharply between June and August, it has been trending upward, breaking previous highs.

Analysts said much of the gain in restaurant stocks is coming from investors attracted to small-to-medium sized companies that are enjoying unit expansion and same-store profit growth.

The single largest gainer in 1989 was QSR, whose share price rose nearly 300 percent to close the year at $4.50. The company is expanding its Mr. Submarine chain.

Other triple-digit percent gainers were Old Spaghetti Warehouse (up 197 percent, to $17.88), Max & Erma's (162 percent increase, to $8.38), and Morgan's Food (116 percent, to $1.63).

Among more recognized companies at the top of the heap whose stock enjoyed large gains in 1989 were Sbarro, Perkins Family Restaurants, Cracker Barrel, Dunkin' Donuts, Chili's, the Uno Corporation, National Pizza, and TCBY.

National Pizza — which ultimately bought Skipper's, the Bellevue, Wash.-based quick-serve seafood chain after a near year-long chase — was the sixth largest gainer with an 87 percent jump, to $18.25.

Dunkin' Donuts, which was the target of a takeover and has since been absorbed into Allied-Lyons, a Toronto-based company that also owns Baskin-Robbins, jumped 74 percent, to $46 a share.

Steady same-store sales growth and unit expansion were behind the 62 percent increase for Sbarro, to $24. An ambitious expansion plan and similar comparable-store sales increases factored in the 62 percent rise in Perkins, to $16.

Not being afraid to raise menu prices, while spearheading expansion in new markets with high-profile franchisees, led investors to Uno Corp., whose share price ended the year at $14.52, a 68 percent gain.

Despite suffering nearly five consecutive quarters of flat-to-negative earnings, the stock of the industry's largest restaurant company, McDonald's, increased 43 percent, closing at $34.50.

The company is experimenting with pizza and reportedly intends to vigorously expand in Europe.

The diversified foodservice conglomerates enjoyed strong gains in 1989. Pepsico rose 62 percent, to $64, while General Mills climbed 40 percent, to $72.38.

Among the biggest losers in 1989 were G.D. Ritzy's, the Columbus, Ohio-based fast-food hamburger and ice cream company, which lost 90 percent of its value, to end at 6 cents a share.

Other big losers were Daka International and Eateries Inc., both dropping 62 and 63 percent, respectively, to end the year with share prices under $1.

Some big-name losers were Wendy's International, whose stock price dropped over the year to $4.63, for a 19 percent loss.

CORRECTION

"Forbes lists 3 cafeteria chains in top 200," page 16, Dec. 18, incorrectly said only three foodservice operations made the magazine's list of "the best small companies in America." In fact, a fourth company, Uno Restaurant Corp. of West Roxbury, Mass., placed No. 157 on the list with a 13.5-percent average five-year return on equity.

BEST AVAILA

FINANCIAL NEWS

Itty-bitty Max & Erma's gets big-time press attention

by Milford Prewitt

COLUMBUS, Ohio — With just 14 units, Max & Erma's is a small fish in the restaurant ocean, but strong numbers are quickly getting the operator center stage notice.

Recent articles in such well-read publications as The Wall Street Journal, Investor's Daily and Business Week have lauded the company for its financial and management savvy.

The press attention hasn't been lost on investors.

Mercury Asset Management, a $30 billion international investment group from London, has bought 5 percent of the company. Closer to home, the Alger Mutual Fund — ranked third on the Wall Street Journal's annual listing of the best 10 mutual funds — bases a sizable percentage of its portfolio on Max & Erma's stock.

Moreover, among Nations Restaurant News' annual survey of foodservice stocks, Max and Erma's was third only to the Old Spaghetti Warehouse in its annual appreciation of its share price. It started the year at $3.19 and ended at $8.38 for an increase of 163 percent.

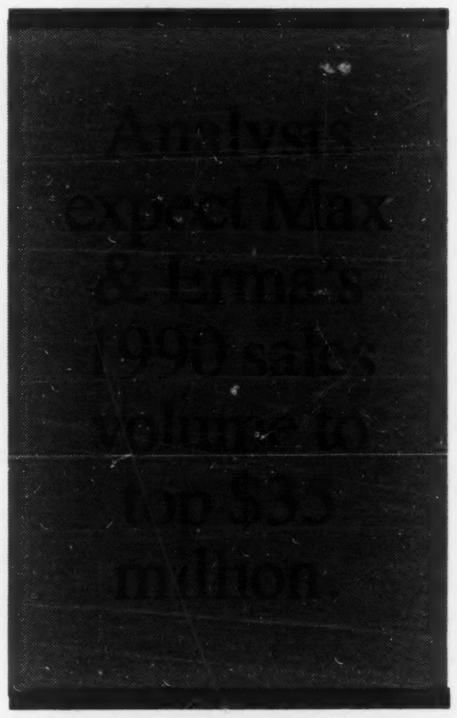
"It is amazing, the amount of press we get," said chief financial officer William C. Niegsch. "I guess it's due to the reputation we're gaining as diligent operators and for being an attractive investment opportunity."

Max & Erma's enjoyed its second consecutive year of double-digit same-store sales growth in fiscal 1989, leading to a 53-percent jump in net annual income.

For its year ended Oct. 29, the company recorded net income of $1.4 million on annual sales of $24.3 million, a 24-percent rise in sales. For the quarter Max & Erma's posted a 32-percent rise in net income to $226,000.

Analysts expect the company's 1990 sales volume to top $35 million.

Todd Barnum, chairman and chief executive officer, attributed the company's strong year-end performance to the opening of an additional restaurant and a 12.4-percent increase in same-store sales year to year.



Niegsch said that behind the impressive numbers, press attention and rosy forecasts is a turnaround story that began when current management took over the company three years ago with the singular mission of improving Max & Erma's once-dire financial posture.

"People used to come in our stores and marvel over how busy we were," Niegsch said. "But they never knew we were not making any money."

Niegsch attributed that paradoxical development to the former manager-owners of the company, executives who were in the restaurant business for "the fun of it" and not necessarily to make money.

"You know there is a glamour aspect to this business," Niegsch said. "There are some people who go into the restaurant business because they think it's fun. There's nothing wrong with that, but at some point, you've got to start making money."

To that end, the relatively new management core of Max & Erma's worked to streamline and simplify the menu, created an elaborate system for building employee *esprit de corps* through a bonus program, reduced its payroll, upgraded the physical ambience of the restaurants and stayed true to a moderate price point.

Those operational changes have elevated per unit average volume to $2 million, 50 percent higher than it was three years ago even though the per person check average has stayed around $10 per person.

"I really think the key is that we're perceived as a place with good value," said Niegsch.

Concentrated primarily in the Midwest and operating with only one franchise, Max & Erma's has been cautious in its expansion plans, opting to fill in existing markets rather than break into new ones. For 1990, this strategy involves adding new stores to Detroit, Indianapolis and Columbus for a year-end total of 17.

Roger Lipton, an analyst with Ladenburg, Thalmann in New York, said Max & Erma's typifies the kind of growth stocks investors are looking for in the restaurant sector. He said what makes the company compelling is that Max & Erma's has been able to expand its store count without marring its double-digit same-store sales growth.

Lipton said Max & Erma's growth pattern will make it a 50-unit company in five years, with annual sales of $100 million.

FOOD PRICE OUTLOOK

High pork prices seen for spring

by Patt Patterson

The last quarterly U.S. Department of Agriculture census of farm holdings of hogs showed that in December the number was down 3 percent over 1988. Prices for pork loins have been running about 16 percent to 20 percent above last year at this time. Prices are expected to remain generally higher through the spring. Cold weather in the Midwest, however, may drive that price up or down sharply as farmers fail to market hogs in colder weather and flood the market during warmer spells.

Lettuce prices, both iceberg and leaf varieties, have been holding at lower levels despite damage to Florida's crop during the Christmas freeze. Same is true of broccoli, which did not react strongly to the loss of much of the Texas crop during the same freeze.

Fresh citrus prices have surged up. Most orange juice prices are holding — at least until Brazil makes up its mind on pricing. Authorities there at press time were holding shipments until they could see a pattern in the demand. If they boost prices on their bumper supply, concentrated frozen juice prices here could rise sharply. U.S. processors are dependent upon imports to make up for the Christmas freeze.

Butter took another tumble at the beginning of the year. At just below $1.08 for f.o.b. bulk price at processors' docks, it is at its lowest in years. At the same time, milk prices and cheese have temporarily hit a high priced plateau. Agricultural observers see no major drop for milk or cheese over the next couple of months and warn there could even be some increases if production continues to lag demand.

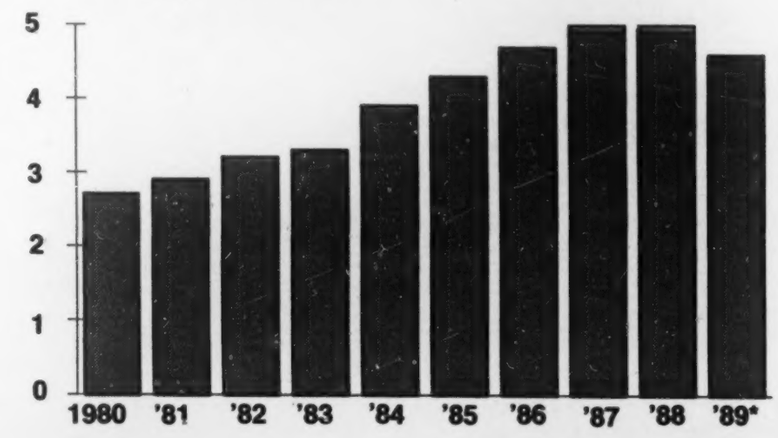
Egg prices have remained at their highest in years. Producers have cut back production, and demand — particularly for manufacturing — has surged. Although prices traditionally drop after the holiday season, so far this year they are holding on.

NRN FACT FILE

A look at the statistics shaping the industry

Imported beer consumption slips in US

(imported beer as a % of the US market)



* Estimate

Source: Beer Marketer's Insights

FINANCIAL DIGEST

Fridays' profits flat, sales down in 3rd Q

DALLAS — TGI Fridays' said profits were flat on a 12-percent drop in revenues, to $97 million, for its third quarter.

For the quarter ended Oct. 2, TGI Fridays' net income was $3.8 million — the same amount as in the year ago period.

The company attributed a shorter reporting period and charges relating to its self-insurance program as the two factors impacting on its third quarter performance.

Through the 39 weeks, TGI Fridays' revenues declined 6 percent to $287 million. However, net income during the same time period rose 12 percent to $10.5 million.

Allied-Lyons completes Dunkin' buyout

RANDOLPH, Mass. — British conglomerate Allied-Lyons PLC said it has completed its acquisition of Dunkin' Donuts Inc. for $47.25 per-share, or about $330 million.

The 1,900-unit doughnut chain will be merged with A-L Acquisition Corp., a wholly owned subsidiary of Allied-Lyons.

For six months, Dunkin' Donuts had staved off persistent takeover attempts by DD Acquisitions, a Canadian-based suitor and partnership of Toronto-based Kingsbridge Capital Group and Cara Operations.

Allied-Lyons PLC operates the Baskin-Robbins ice cream chain and owns Tetley Tea, Martinson and Savarin coffees, Canadian Club spirits and Courvoisier. The company recently added to its extensive portfolio by buying a controlling interest in a French vineyard.

Southern Hospitality reports 2nd Q loss

NASHVILLE, Tenn. — Southern Hospitality Corp. reported a net loss of $49,320 for its second quarter ended Nov. 30, despite increases in same-store sales and operating income from the 25 Wendy's restaurants it operates.

For the comparable 1988 time period, the company posted net earnings of $234,119.

Sales grew 2 percent in the quarter, to $5.1 million.

For the first six months of its fiscal year, Southern Hospitality had net income of $52,368 on sales of $10.9 million, a one-half percent increase. In the year-ago six-month period, the company lost $267,401 as a result of debt restructuring.

The slight increases in sales came even though the corporation operated four fewer restaurants in the first quarter and one fewer restaurant in the second quarter than last year, contributing to a 5 percent increase in same-store volume.

Holiday Corp. spins off new company

MEMPHIS — The Holiday Corp. has created a spin off concern — The Promus Companies Inc. — to run its gaming activities as well as its Embassy Suites, Hampton Inn and Homewood Suite hotel chains.

Each of the Holiday divisions under the Promus group will use the phrase "A Promus Company" (pronounced "promise") when referring to its corporate affiliation.

Shoney's 4th Q net income drops 42%

NASHVILLE, Tenn. — Fourth quarter net income plummeted 42 percent at Shoney's, to $1.7 million, despite a sizable rise in pretax income before extraordinary charges.

Company officials pointed out that an extraordinary charge of $3.4 million, relating to the refinancing of $215.5 million for recapitalization projects, impacted on profit.

Before adjustments were made for the extraordinary charge, income climbed 40 percent in the quarter ended Oct. 30, to $4.3 million and pretax income jumped 31 percent to $6.8 million.

Sales were flat for the fourth quarter, rising two-tenths of a percent to $204 million.

For its fiscal year-end finish, Shoney's reported sales of $860 million, a 10 percent increase over 1988. Income before taxes rose 18 percent to $115 million but after taxes and extraordinary charges are accounted for, net income dropped for the year to $15 million, a 65 percent decline.

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Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

Vol. 24, No. 7 | Published every Monday by Lebhar-Friedman Inc. | February 12, 1990

Two health-care workers at Pizza Hut's new Express Kiosk concept, now in health-care sites.

Hardee's ropes Roy Rogers

Hardee's forges into the Northeast, adds fried chicken to menu in $365 million deal

by Bob Seligman

ROCKY MOUNT, N.C. — With a $365 million deal to buy the 600-unit Roy Rogers chain from Marriott Corp., Hardee's Food Systems Inc. is muscling into two lucrative markets — the Northeast and fried chicken.

Hardee's is already a powerhouse in the Southeast and Midwest, and the deal would also give the chain a firm grip on the No. 3 spot among Burger chains, behind McDonald's and Burger King and beyond Wendy's in number of units.

"It's very consistent with our development strategy," said Hardee's president William Prather. "It puts us in the Northeast, and it strengthens our position in Baltimore and Washington, D.C. It gives us new penetration in Philadelphia and New York."

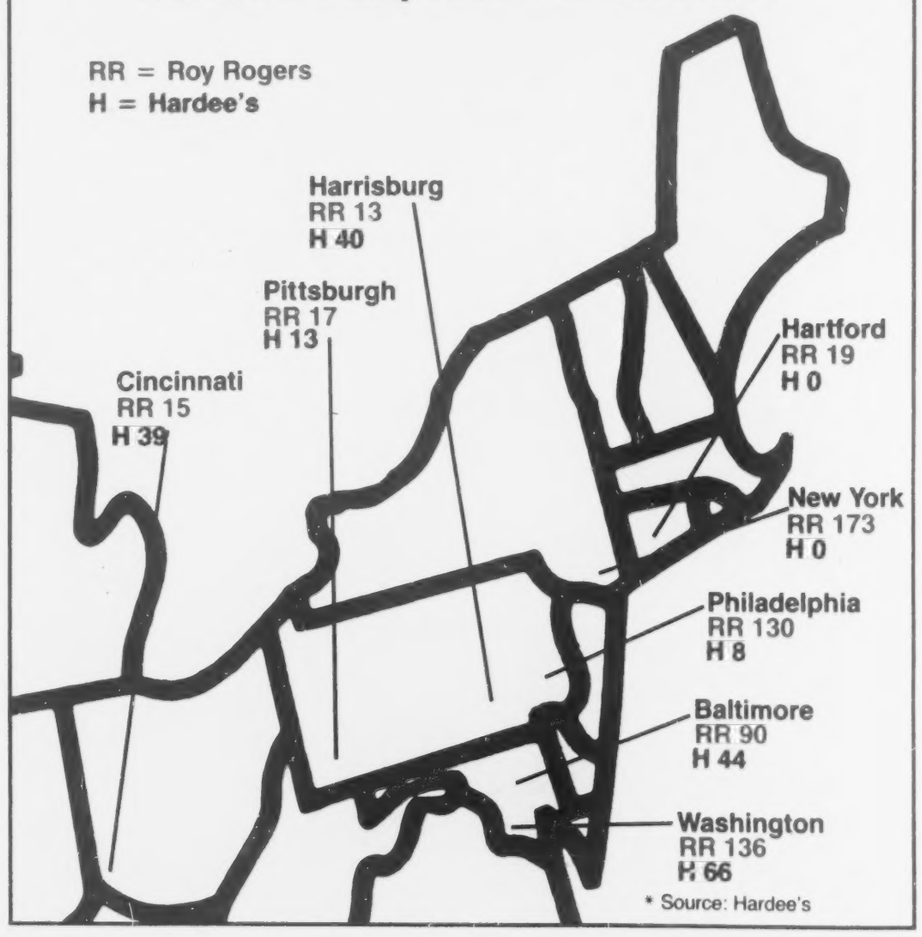
Adding Roy Rogers' bone-in chicken to the menu would make Hardee's the first major burger chain to challenge Kentucky Fried Chicken, Church's and Popeyes in the chicken-by-the-bucket dinner business.

"The biggest change will be in adding new equipment to our chain to add the fried-chicken concept," Prather said.

The sale, expected to close at the end of March, also marks the beginning of Marriott Corp.'s move out of the restaurant business to concentrate on lodging and contract feeding. Terry Souers, a spokesman for Marriott Corp., said it should take about a year for the company to sell its remaining 434 restaurants. They include 235 Big Boys, 79 Wag's, 57 Howard Johnson's, 32 Allie's and 31 Bickford's.

*(See **HARDEE'S**, page 77)*

Hardee's stampedes into Northeast



* Source: Hardee's

Hospital fast food: Big chains adjust

by Jack Hayes

McDonald's, Pizza Hut and at least three other chains are prescribing a controversial cure for ailing hospital foodservice departments: on-site fast-food operations.

While some hospital food and nutrition managers trying to maintain essential services in the face of deeper budget cuts welcome any viable solutions, a few critics are assailing the cure as being worse than the disease.

"I'm appalled that dietitians can take such a low profile on this trend," said watchdog nutritionist Sarah Fritschner, a food editor for the Louisville Times and Courier Journal. "Study after study after study shows that people get an inordinate amount of fat from these foods."

Still, most experts seem to be taking a more impartial approach to the trend. "I may be more liberal than other dietitians, but I believe in giving people what they want," said Deborah Orr, dietary director at Medical Center of Cen-

*(See **FAST FOOD**, page 76)*

MINIMUM-WAGE SHOCKER!

Legislative blunder fails to exempt small operators from law

by Peter Romeo

WASHINGTON — The National Restaurant Association has discovered that many restaurant employees thought to be exempt from the April 1 minimum-wage hike will actually be entitled to the pay raise, leaving operators unwittingly subject to penalties.

The association was startled to learn recently that the wage law passed last year contained an overlooked provision that curtails what had been seen as a full exemption for restaurants grossing less than $500,000 annually.

"A lot of people are figuring, 'If I take in less than a half-million dollars a year, I don't have to pay the new minimum wage,'" said Raymond Cordelli, the U.S. Labor Department director who oversees enforcement of wage laws. "But that's not the case."

Under current law, operators with annual sales below $362,500 are exempt from federal wage stipulations. Even those people will lose their full exemption under the legislation that takes effect April 1.

*(See **MINIMUM WAGE**, page 4)*

The wages actually required under the new federal minimum wage
(as of April 1, 1990, for less than 40 hours per week)

For restaurants grossing more than $500,000 annually:
- At least $3.80 per hour.

For restaurants grossing between $362,500 and $500,000 annually:
- At least $3.80 per hour for employees engaged in "commerce."
- At least $3.35 per hour for all others.

For restaurants grossing less than $362,500:
- At least $3.80 per hour for employees engaged in "commerce."
- No minimum for the others.

Source: Department of Labor

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If so, or if you have something to say on any other topic, call the NRN Hot Line to tell us what you think.

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 7 February 12, 1990

NEWS BRIEFS

Administration urges repeal of controversial tax

WASHINGTON — The Bush administration has called for a repeal of the Special Occupancy Tax, a controversial tariff that has quietly been levied on restaurateurs and other alcoholic beverage retailers.

Although restaurants have been subject to the tariff for several years, many were not aware of their obligation until the Bureau of Alcohol, Tobacco and Firearms hit them with hefty overdue-tax bills last year. Some discovered they owed thousands of dollars.

Bush's repeal request was buried in the body of the administration's budget proposal. The National Restaurant Association and other trade groups have been striving to repeal the tax and exempt places from penalties.

Franchising report predicts 10.7% restaurant growth

WAIKOLOA, Hawaii — Sales at U.S. franchised restaurants and franchisor-owned outlets will grow at a robust 10.7-percent rate during 1990, to about $76.5 billion, according to an authoritative report monitoring franchising.

In 1989 sales by restaurant licensors and licensees grew 7.5 percent, to $69.1 billion, according to the report released by the International Franchise Association at their annual convention here.

Restaurant concerns involved in franchising are expected to add nearly 8,000 new units in 1990, an increase of 8.3 percent from 1989 levels. The expansion — most of which will come from franchised restaurant openings — would bring the total number of franchisor and licensee outlets to more than 102,000.

A broad-brush gauge of chain restaurant activity, the "Franchising in the Economy" report was produced by Horwath International along with the IFA's Educational Foundation. The study had previously been conducted by the U.S. Department of Commerce.

Former Bonanza prexy takes Pizza Inn helm

DALLAS — Jeff Rogers, who spearheaded the expansion and menu diversification of Bonanza during his six years as president of the budget steak chain, has assumed the chief executive's post at Pizza Inn, Pantera's ailing 600-unit pizza chain.

Pantera's recently filed for Chapter 11 bankruptcy protection, shuttered dozens of restaurants and lost a number of top-level executives, including marketing director Dan Japhet and chief executive Stephen D'Agostino.

Rogers was fired by Bonanza after the chain was acquired by Metromedia, parent of the competing Ponderosa system.

Licensee to buy majority stake in Treacher's

YOUNGSTOWN, Ohio — The largest franchisee of 100-unit Arthur Treacher's Fish & Chips has agreed to acquire a majority interest in the franchisor.

The infusion of capital from M.I.E. Hospitality Inc. will give Treacher's the resources to "satisfy certain past due obligations, replenish working capital and expand our franchise network," said James Cataland, Treacher's president. The company has been unprofitable for several years.

The company plans major expansion in the Philadelphia market in the near future. M.I.E. is based in Bloomsburg, Pa.

Auto Cafe Systems, which is headed by G.D. Ritzy's founder Graydon Webb, reportedly also had bid for control of Treacher's.

Renaud to head Boddie-Noell's Skats chain

ROCKY MOUNT, N.C. — Ernest Renaud, former president of Long John Silver's, Golden Corral Investors Corp. and Church's, has been named president of Boddie-Noell's Skats fast-food chain.

In the new post he will lead an expansion effort for Skats, a 22-unit chicken, burger and biscuit drive-thru and sit-down chain in North Carolina and Virginia. Boddie-Noell, a leading Hardee's franchisee, is seeking to establish a company-owned Skats identity.

Dietrich resigns as president of Two Pesos

HOUSTON — Thomas E. Dietrich has resigned as president of Two Pesos Inc., the 25-unit quick-service Mexican restaurant chain based here.

Marno McDermott Jr., the company's chairman, chief executive and majority owner, said he would assume the duties and title of president when Dietrich officially steps down March 1.

Dietrich said he would remain on the board of directors "until a conflict arises."

The company, which recently scaled back operations, said it expects to post sales of $39 million for the year ending March 30.

Debevic's wins copycat battle

CHICAGO — Ed Debevic's Inc. said it has won a judgment against Joe Bel Air Enterprises of Fort Lauderdale, Fla., for copycatting the Debevic's diner concept.

Joe Bel Air has agreed to change the exterior and interior design, remove slogans from the walls and change the menu.

"We felt that Joe Bel Air's had blatantly copied our restaurant's appearance, menu and promotional materials," said Gerard Centioli, Debevic's president. "Ed's intends to protect its rights throughout the country and to the extent necessary to prevent unfair imitations."

Pizza Hut franchisees accept new contract

ATLANTA — Pizza Hut's franchisees have endorsed a new 20-year contract provided Pizza Hut signs off on the new agreement by March 1.

In a meeting of the International Pizza Hut Franchise Holders Association, the system's franchisee association, a resolution that allows the new contract to be implemented was supported by members representing a majority of the association's 3,000 units.

Pizza Hut and its franchisees developed a new proposed contract after the franchisees started a $3 million legal war fund in November — reminiscent of developments in the Kentucky Fried Chicken chain — to take the company to court if they could not forge a better contract.

Black quits Paragon, opens restaurant

LA JOLLA, Calif. — Cindy Black, corporate chef of San Diego-based Paragon Restaurant Group since 1986 and formerly executive chef for TWA, has left Paragon and opened her own restaurant here, called Cindy Black's.

The 90-seat operation features French country cuisine, with dinner entrées priced from $11 to $19. Black first gained attention in San Diego as chef at Sheppard's at the Sheraton Harbor Island West and later as head chef of the local Piret's bistro-deli group.

Her exit from 104-unit Paragon coincides with the restructuring of the company into three divisions — casual theme, seafood and steak — with separate menu-development staffs.

Black apprenticed in Boston under Madeleine Kamman at Chez La Mere Madeleine and later cooked in the all-women kitchen of Auberge Le Cabanon in Magesoq, France. Before moving to San Diego, Black cooked at the Boston Sheraton's Apley's and was chef at the Cranberry Moose in Yarmouth Port, Mass.

Liquor law overhaul: Utah legislators approve bill

SALT LAKE CITY — Utah restaurateurs moved a step closer to winning the right to serve mixed drinks and begin liquor service three hours earlier when legislators recently approved Senate Bill 141, an overhaul of the state's complex beverage laws.

State restaurant association officials say they expect the governor to sign the bill, which also bans "brown bagging," the practice of letting consumers carry their own liquor into restaurants, taverns and clubs.

Utah has required restaurant customers to mix their own drinks and has prohibited liquor service before 4 p.m. since 1969. Operators and tourism boosters have complained that the system was confusing to visitors and a bother to all drinkers.

The bill, approved by both the Senate and the House, will become law 60 days after receiving the governor's signature. The bill allows operators until next January to comply with some of the provisions, including a requirement that liquor be dispensed through a metered portion-control device.

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NEWS

Food is 'in' at clubs nationwide

Spotlight on chefs in effort to boost sales

by Jack Hayes

ORLANDO, Fla. — Managers of the nation's 4,000 clubs are overhauling kitchen and dining room strategies to keep stride with escalating overhead and increasing competition from both commercial restaurants and other clubs.

At the same time private club managers, in an effort to promote service to both existing and potential members, are taking a tip from the commercial competition and thrusting their chefs into the spotlight.

"Old club traditions are being broken," said Jack Marckstein, the general manager at Oak Hills Country Club in San Antonio, where menus are now changing monthly and where monthly food minimums have been abolished.

"Chefs are celebrities now; food is in," added Imre Hir, general manager at the Atlanta Country Club in Atlanta.

Marckstein and Hir, who discussed food and beverage trends here during the Club Managers Association of America's 63rd annual conference — which wrapped up on Feb. 2 — touched a nerve with club peers who see competition as already strong and growing even stronger in the years ahead.

Managing in a change-driven environment was indeed the dominant conference theme for Washington, D.C.-based CMAA, which represents the operating leadership of golf and country clubs, city clubs, yacht clubs, tennis clubs, university clubs and athletic, military and fraternal clubs across the country.

"Club managers are having to look at competitive factors," William Chernish, who is the assistant dean at Cornell University's School of Hotel Administration, told the attendees. "Food and beverage can mean the difference between survival and failure."

Chernish said managers who are more involved with bottom-line reporting realize it costs them money when members go downtown to a restaurant for dinner on Saturday night.

"There are 200 restaurants between us and the members," agreed John Thomas, general manager at The Yakima Country Club in central Washington.

"If we want the food and beverage revenue, we have to deliver the same product."

To make that delivery, Thomas explained, his club recently spent $800,000 on upgrading the clubhouse.

Richard Coyne, general manager at the Kebo Valley Club, which is more than 100 years old, said his board is pushing for more special-function business during tourist season in addition to bigger breakfast, lunch and dinner counts.

Adair Chew, general manager at Lake Mead Golf & Country Club near the San Francisco market, is hosting wine tastings with star chefs from Europe to draw members away from "too much" restaurant patronage.

Thomas Catherall, executive chef of the Cherokee Town & Country Club in Atlanta, prepares entrées and desserts based on his own gold-medal-winning recipes from last year's Culinary Olympics in Frankfurt, Germany.

But Catherall emphasized that to compete with the commercial segment, clubs must be extremely versatile. "We have to be Houlihan's, Houston's and 103 West when it comes to dining," Catherall said. "And for banquets, we have to be the Waldorf Astoria."

Catherall taught a seminar here called "Great Club Dishes," along with other former Olympic chefs Alex Darvishi from the Athletic Club of Columbus; Michael Russell from Kingsley Inn in Bloomfield Hills, Mich.; and Chris Northmore, also from the Cherokee Town & Country Club.

Some of the same chefs will wind up a Taste of Gold seminar series being held at the Racquet Club of Memphis this month to promote the CMAA's effort to have a culinary team competing in Frankfurt in 1992.

"We want to lift the food and beverage image for clubs," said Bill Schulz, who is general manager at Twin Orchards Country Club, near Chicago. Schulz is also chairman of CMAA's culinary team committee.

Meanwhile, the culinary ferment in private clubs is bubbling to the point where Keith Nelson, executive chef at The Birchwod Club, also in Chicago, will soon be hiring an executive director to manage his year-old, strictly-for-chefs group, Club Chefs Association of America.

Nelson, who did not attend the CMAA conference here, expects a dozen chapters of the association to be operating by the end of this year. About half of Chicago's 120 clubs are already represented.

"I wonder myself why it's taken so long for clubs to grow above steak and potatoes," Nelson said.

Minimum-wage shocker rocks operators

(Continued from page 1)

"It's going to be a bolt out of the blue for a lot of people out there," said NRA counsel Dick Johnson.

Because of what the association has termed a legislative blunder, the law will force low-volume restaurants to categorize each employee on a weekly basis to determine which ones engage in "commerce or in the production of goods for commerce." Staffers who fall within that nebulous classification will be entitled for the relevant "workweek" to the new minimum wage of $3.80 per hour, or $5.70 per hour for overtime. Other workers can be paid a lower rate.

"Commerce" could include such activities as processing a credit-card charge slip or storing a shipment of lobsters from an out-of-state purveyor, according to Cordelli.

"A person in the kitchen deboning or trimming the fat off meat might not seem as if they're engaged in interstate commerce," Cordelli said. But the butcher would indeed qualify for the higher minimum wage if the fat and bones are sold to rendering companies with offices throughout the nation.

"That butcher would then be engaged in interstate commerce," Cordelli said.

"Restaurateurs should check with the nearest office of the Department of Labor's Wage and Hour Division to determine what constitutes interstate commerce," he advised.

Restaurateurs who fail to comply with the law could be subject to a civil penalty of $1,000 per infraction plus back wages. That fine could also be levied for record-keeping violations.

The NRA is striving to convince the Labor Department that it should not deny a full exemption to restaurants with annual revenues of less than $500,000. "The intent of the law was to exempt those places — period," asserted Mark Gorman, who leads the association's lobbying team.

However, the legislation is not open to interpretation, according to Cardelli. He emphasized that the Labor Department would indeed enforce the law as it is currently written.

If the administration stands firm, the NRA will urge congressmen and senators to pressure Labor Department officials, according to Gorman. And if that fails, "we'll go to the political people and ask them to correct the law," he said. "Maybe we can get Labor to hold off on enforcement until the law is corrected."

The NRA and other trade groups maintain that Congress never intended to rob small businesses of a full exemption from the new minimum wage, which rises again in April 1991, to $4.25 per hour.

"Clearly it's a mistake," commented James Coleman, counsel for the Foodservice and Lodging Institute.

"Right now the ceiling for coverage is $362,500," said NRA executive vice president Bill Fisher. "If your establishment takes in less than that amount, right now you don't have to pay the federal minimum wage. You're exempt.

"When Congress raised the minimum wage last year, they raised that ceiling to $500,000 to reflect the affects of inflation. Their intent was to raise the exemption."

However, the NRA asserted, that effort was inadvertently undermined when the law was being written. According to the association, the authors sought to simplify the legislation by negating two paragraphs that fully exempted low-volume retail and service enterprises from the wage increase. Their aim, the NRA said, was to create a uniform standard for all businesses.

"They did it for uniformity, but they didn't go into the results of their action," said the NRA's Johnson.

Legislative aides to Sen. Edward Kennedy, the Massachusetts Democrat who chairs the Senate Labor and Human Resources Committee, would not discuss the matter. However, a junior press officer dismissed the inquiries with an assertion that "there are exemptions in the law."

When the snafu was discovered in late January, the NRA apparently solicited the opinion of Jay Harvey, who was then counsel for Kennedy's committee. According to the association, Harvey confirmed that lawmakers intended to fully exempt all service establishments grossing less than $500,000 annually.

Harvey has since parted with the committee and could not be reached for confirmation. His replacement has not yet been named.

The matter came to light when Johnson's staff read the law's fine print. An assistant, Diane Bridge, fired off a memorandum to Johnson. The NRA provided a copy to Nation's Restaurant News during the association's winter board meeting in Laguna Niguel, Calif.

"It had completely escaped everyone's attention until that point," Johnson said.

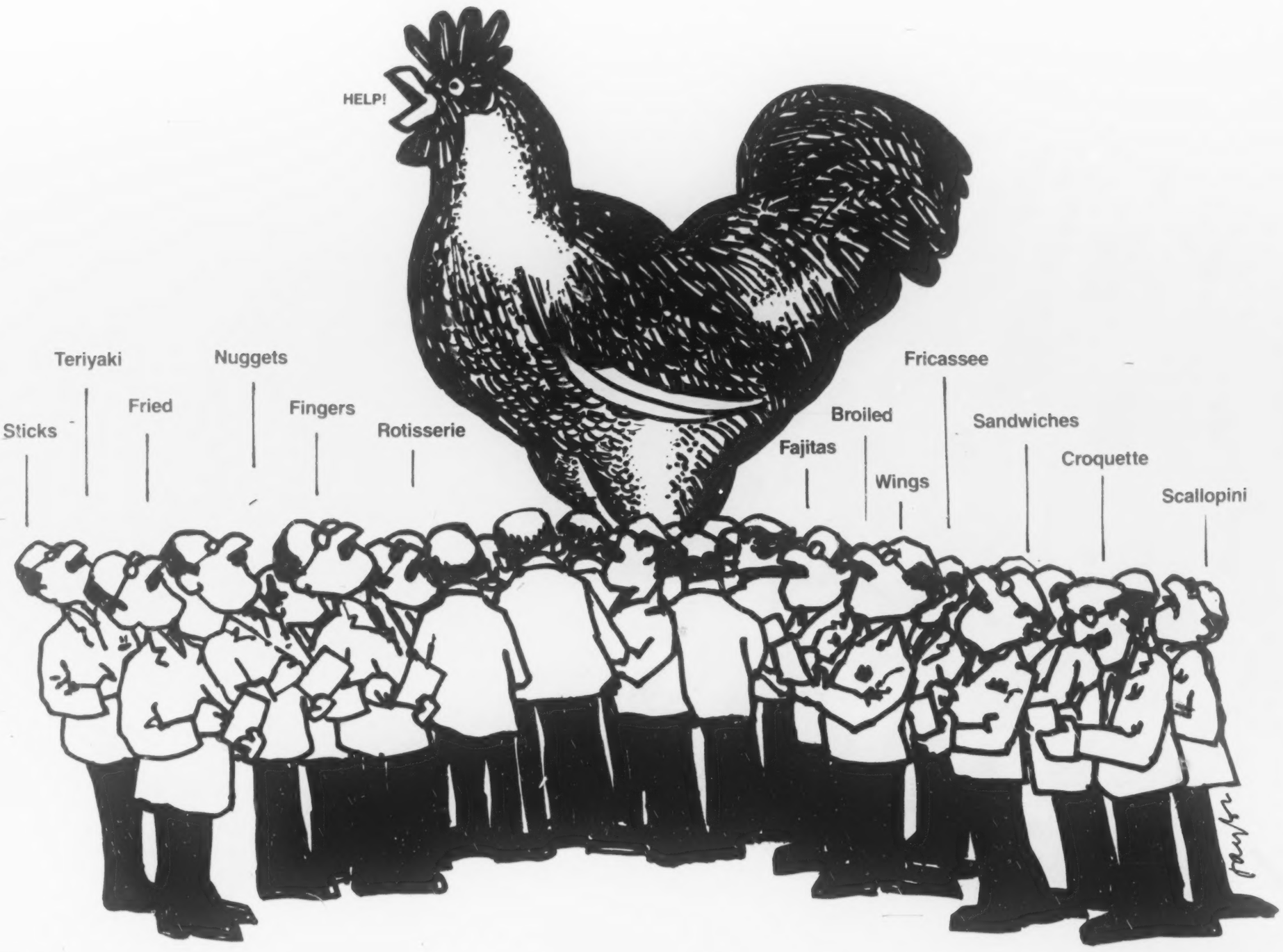
Indeed, many trade groups had gloated about their role in pushing the exemption ceiling up to $500,000. And the media never questioned that businesses garnering less than that amount would be fully excused from the wage law.

The NRA initially treated its discovery with skepticism. But its worries were confirmed by the Labor Department.

CORRECTION

"Ten Leading restaurants enter NRN Hall of Fame," page 1, Feb. 5, misidentified the owner of the Drake Hotel in Chicago as Hilton International. Vista International owns the Drake.

FOCUS



100 ways to cook your chicken

From rotisserie to char-grilled, operators are constantly looking for new ways to prepare this old stand-by and bolster appeal to health-conscious consumers

by Milford Prewitt

The trend to create new menu items and dishes from chicken is accelerating as both fast feeders and table-service operators look to chicken to stimulate business.

"The really great thing about chicken is that, like veal, it's a mild meat and is so receptive to sauces and spices," says Reed Medinger, owner of R.D. Cluckers, a two-unit Chicago-area restaurant operation whose total menu, appetizers and entrées, is devoted to chicken. "Chicken really gives you a lot of versatility."

The versatility of chicken is already appreciated by such chains as Kentucky Fried Chicken, Popeyes, Po Folks and scores of independents that are drawing new business to their restaurants with new chicken items.

At the same time a growing number of entrepreneurs are entering the segment filled with high expectations for the rotisserie method of cooking chicken. Already two companies, Famie's Chicken in Detroit and Peppy Poulet in Danvers, Mass., have announced plans to operate gourmet, quick-serve chicken chains featuring rotisserie cooking.

Seeking consumers who are adopting more healthful lifestyles, restaurateurs are working hard not to remain staid with their chicken items and are petitioning their suppliers — both equipment and food processors — to help in the rollout of new chicken items.

Throughout all segments of food service, char-broiled, grilled, nuggets, fruited marinades and ethnic preparations are popping up on chicken menus with increasing frequency.

The commitment to do more with chicken comes at a time when per-person consumption is up while segment sales have flattened. The National Broiler Council projects that annual chicken consumption will jump 7 percent in 1990, to 72.3 pounds per person.

According to G.D.R. Crest, however, a Chicago foodservice market research group, the segment is growing slowly. Crest data challenge the conventional view that the nutritional demands of consumers are making chicken operators rich. When measured by traffic counts, chicken restaurants in the quick-serve segment garnered 7 percent of the business last year, about 2 percent better than in 1988, to remain a far distant third behind hamburgers and pizza.

But other data from the National Restaurant Association show that restaurateurs are nonetheless adding more chicken items to their menus and cutting back on red-meat offerings.

In an analysis tracking entrée trends among 100 restaurants between 1984 and 1989, poultry dishes were the the third most frequently added menu item. Meat dishes, in contrast, slumped by a negative 15 percent. Only combination dishes — seafood and beef — salads and pasta grew faster than chicken.

In specific poultry items, chicken breast was the most commonly added menu item, rising from 40 percent of all menus in 1984 to 68 percent in 1989.

The popularity of chicken breast factors in new menu rollouts at several restaurant companies, including Kentucky Fried Chicken, which late last year reintroduced the Colonel's Sandwich (a chicken breast fillet), a chunky chicken-topped vegetable salad and Extra Tasty Crispy Chicken and began test marketing char-grilled chicken.

John M. Cranor, president of KFC, notes the company's chicken sandwich is just the beginning of a wave of new products the industry's largest chicken chain will unveil.

On one hand, KFC's resolve to do more with chicken is as much a strategic response to the competitive pressures posed by chicken products at hamburger chains as it is an attempt to appease its critics, some of them franchisees, who took the system to task for being slow to develop the menu.

But Cranor has indicated the company's previous sluggishness in new-product introduction will be remedied.

"KFC is going to be the place for chicken," Cranor says. "Within a sharply narrow area, KFC is going to offer variety."

Variety of product is already the driving force behind the menu at R.D. Cluckers, Medinger says. Cluckers is a rare breed in that it is one of a dearth of full-service restaurants to specialize only in chicken.

Medinger says the menu is revised about once every three months to add new chicken items to his chicken-only menu. He notes his patrons expect such changes.

One new menu item Cluckers recently introduced and earned strong customer applause, Medinger says, was fruit-marinated chicken.

With one 90-seat location in downtown Chicago and a 200-seat establishment in Wheeling, Cluckers has an average per-person check of $11. The downtown location, Medinger adds, makes about 45 percent of

(See 100 WAYS, page 34)

Seeking consumers who are adopting healthier lifestyles, restaurateurs are working hard not to remain staid with their chicken items.

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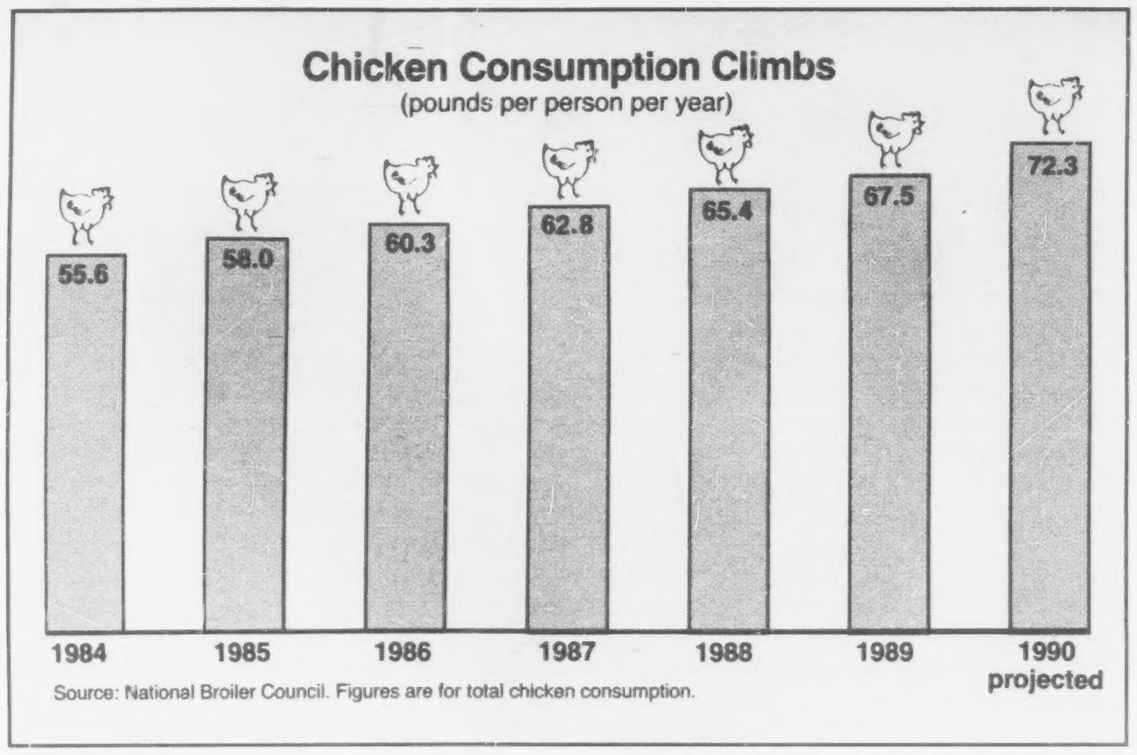


100 ways to cook your chicken

(Continued from page 33)

its volume from take-out and delivery.

Although the company constantly updates the menu, Medinger says Cluckers has a few old standbys that have helped to give the 5-year-old operation a loyal following. Among those signature dishes are blackened Cajun-style chicken; mixed, grilled chicken with andouille sausage; charbroiled chicken; three-mustard chicken; and chicken casserole.

"The fact that people are looking for something with a health element to it really puts chicken restaurants in a good position," he explains. "What makes it even more attractive, though, is that it has the right price for both operator and customer."

Chicken, however, has not always had the right price.

Throughout the decade of the '80s, wholesale chicken prices, as measured by the Bureau of Labor Statistics tracking of processed young chickens, looked more like a roller-coaster silhouette as prices rose and fell sharply.

Much of the pricing fluctuation was due to the launching of chicken sandwiches at the giant hamburger chains during the mid-'80's. Between 1984 and 1986, prices climbed 9.6 percent before falling in 1987 by 13 percent, because of oversupply. For the most recent year available, 1988, prices rose 11.5 percent.

The increases in the wholesale price of chicken have not dissuaded operators from jumping into the field, nor have the hikes restrained restaurateurs from tinkering with their menus.

Just recently, Keith Famie, a noted Detroit restaurateur and owner of Les Auteurs, announced his plan to open Famie's Chicken, one of the new breed of gourmet, quick- serve chicken restaurants.

Famie, whom culinary magazines have celebrated, said the restaurant would specialize in rotisserie or oven-roasted chicken.

"This is about the purest way to cook chicken because it never touches the flame," Famie says. "You end up with a crisp skin, moist meat and no carcinogen fears."

Another company contemplating cooking chicken through the rotisserie format is Peppy Poulet, the Danvers, Mass.-based concern that hopes to have three stores in operation by year's end. Michelle Peletier, director of franchise sales and development, says the company opened its first unit a year ago in Boynton Beach, Fla.

"I really think we hit the market at the right time," Peletier says. "Given that the aging baby boomers are more self-conscious about nutrition and tired of hamburgers and pizza, the market has come to demand quality fast food."

Another company that wants to spice up the chicken side of its menu is Po Folks, the Nashville, Tenn.-based family-dining operator. Long identifed for its Southern-fried chicken dinner, the chain has begun test- marketing char-grilled chicken, along with seafood and pork.

Paul Umphenour, director of operations for Po Folks franchisee Folks Inc. of Norcross, Ga., says the company is test marketing char-grilled chicken in three of its 18 units. He notes the char-grilled chicken product in the test is outselling the pork and haddock by two to one.

"One of the good things about char-grilled products is that it negates the veto vote," Umphenour explains. "Say there were four or five people in an office, getting ready to go to lunch, and they decide on Po Folks, but one of them says, 'But all they have is fried chicken.'

"Well, hopefully, this will eliminate that by broadening our appeal."

Po Folks, like KFC, will not abandon its heritage fried items, Umphenour stresses.

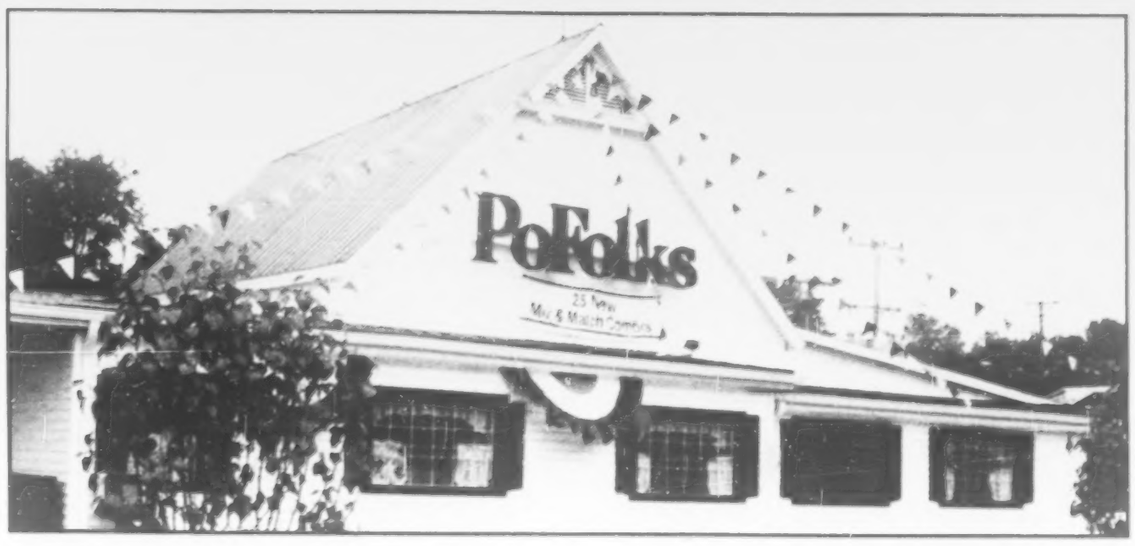
Church's Chicken, the Popeyes subsidiary, intends to increase the selection of chicken items on its menu as a move to improve its competitiveness as well. In a proxy statement filed in September, Church's said it was looking to introduce a new Southern-style fried chicken and new biscuits during the coming year.

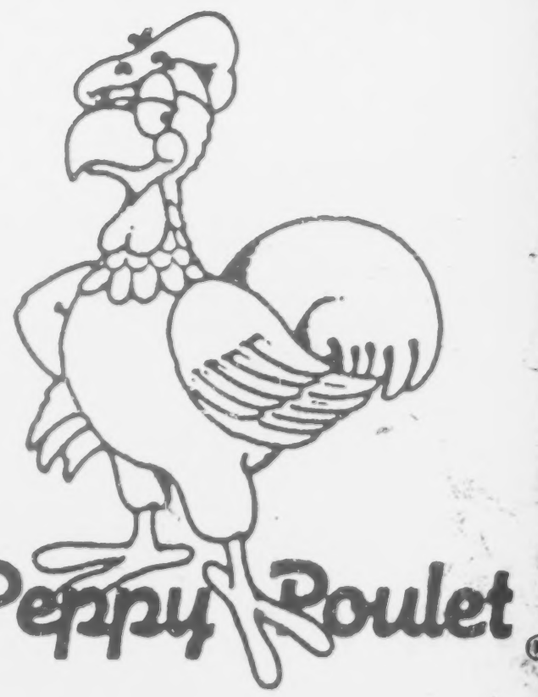
Poultry Entrées Increase on Restaurant Menus Between 1984 to 1989

Type of entrée	Percentage change
Combination Plates (seafood/beef/etc.)	103%
Salads	57
Poultry	16
Pizza	4
Seafood	– 1
Red Mean and Game	– 15
Tex-Mex	– 15
Egg Dishes	– 35

Source: National Restaurant Association study of 2,124 menus involving 100 restaurants.

> "The fact that people are looking for something with a health element to it really puts chicken restaurants in a good position."





Left: Units for Kentucky Fried Chicken, top, and PoFolks, which are two of the many chains testing new chicken items to boost sales. Above: a Peppy Poulet logo. The Danvers, Mass., chain has found its niche in the market with rotisserie chicken.

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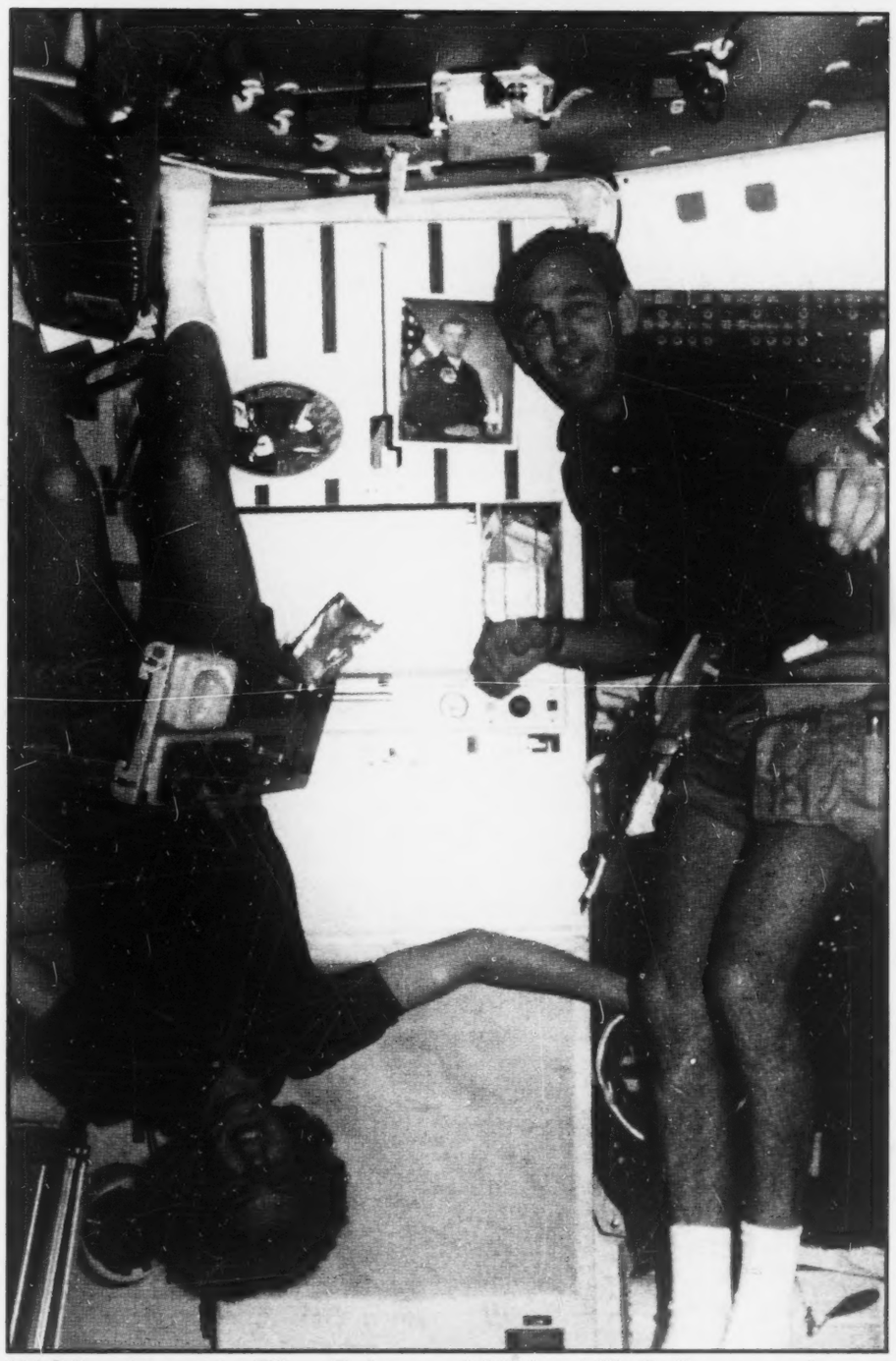
Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 9 | Published every Monday by Lebhar-Friedman Inc. | February 26, 1990



NASA astronauts Ellen Baker and Michael McCulley experience mealtime in a zero-gravity environment during a space flight.

SPACE FOOD: NASA probes limits of food technology

by Tracey Taylor Woodard

JOHNSON SPACE CENTER, Texas — Scientists at the Food Systems Engineering Facility here spend a lot of time dispelling myths about food in space.

Contrary to popular belief, the food available to today's earth-orbiting astronauts no longer comes in tubes and cubes, but shiny silver pouches and opaque plastic containers.

And rather than the semi-liquids and freeze-dried powders of yesteryear, today's astronauts design their own menus from a selection of fully prepared heat-and-eat entrées and rehydratable vegetables that includes scrambled eggs, chicken à la king, salmon, barbecue, frankfurters and shrimp cocktail.

Aside from the packaging, said Charles T. Bourland, food scientist with the Man-Systems Division of the National Aeronautics Space Administration, the food is very similar to what is served in restaurants and homes across the country. In fact, he said, most of it is commercially prepared by the country's leading foodservice companies.

"We've been living off the foodservice industry for a long time," Bourland said, pointing to a now famous orange-flavored powdered-drink mix that lent itself perfectly to space travel.

Bourland said budget constraints have forced a scaleback of research and development over the years, so the staff in NASA's food lab spends a lot of time watching for revolutionary packaging and pro-

*(See **SPACE FOOD**, page 46)*

Hotels, operators find profits in partnership

Restaurateurs check into hotel locations

by Milford Prewitt

Like would-be sweethearts who secretly admired one another but were too clumsy or shy to connect, hoteliers and restaurateurs around the nation are moving beyond silent mutual attraction by uniting their businesses in partnership.

In what those involved see as a profitable business opportunity, hotels are increasingly courting prominent restaurateurs and foodservice groups to run the lodging establishment's food operations, including room service.

Hotel managers, independent restaurateurs and executives of foodservice groups said the pluses in the relationship far outweigh the minuses. They indicate that their partnership is a rapidly growing trend that promises radical change in the restaurant business during the 1990s, particularly for those restaurateurs who desire high-profile locations in high-rent areas.

*(See **HOTELS**, page 81)*

What's in it for me?
(Some of the reasons hotel and restaurant operators are getting together)

Hotels	Restaurants
Eliminate food costs	High-profile location
Can focus on lodging business	Little or no equipment costs
Collect 4 to 9 percent of gross revenue of f&b operations	Low rent
Build image with destination eatery	No marketing expenses
Reduce payroll	Round-the-clock business
	Little or no property insurance costs

Source: NRN

General Mills unveils China Coast concept

by Jack Hayes

ORLANDO, Fla. — General Mills Restaurants Inc. is serving Florida tourists a spicy taste of the Orient at China Coast here, a recently launched ethnic concept that could be the prototype for its third dinner house chain.

Using delicate Japanese paper lanterns, colorful Polynesian chairs, a Dim Sum appetizer chef and a $4.95 all-you-can-eat lunch buffet, the parent of Red Lobster and The Olive Garden drew an opening- day crowd at China Coast without spending a dollar on advertising.

The new Chinese restaurant — which features a mix of Mandarin, Szechuan and Cantonese dishes plus an assortment of California wines and several Asian beers — is housed in a former York Steak House on International Drive.

In fact, the new China Coast is across the street from General Mills' very first Olive

*(See **CHINA**, page 4)*

KFC pioneer Harman wins IFMA Silver Plate

by Charles Bernstein

CHICAGO — Leon "Pete" Harman, the pioneering Kentucky Fried Chicken franchisee, won the International Foodservice Manufacturers Association's 1990 Silver Plate Operator of the Year award here in the chain fast-service category earlier this month.

The chairman of Harman Management Corp., Los Altos, Calif., was recognized for 35 years of motivating KFC executives and franchisees throughout the system and in his own company of 235 leading KFC units.

Sentiment on the 18-person jury appeared to favor Harman as the possible Gold Plate winner from among the nine

*(See **SILVER**, page 81)*

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 9 February 26, 1990

NEWS BRIEFS

Mister Donut licensees ask FTC to stop buyout

PHILADELPHIA — A group of Mister Donut franchisees has asked the Federal Trade Commission to prohibit the chain's planned acquisition by Allied-Lyons PLC, the parent company of Dunkin' Donuts.

The 130 members of the Mister Donut National Dealers Association claim that the addition of their 588-unit chain would give Allied-Lyons control of nearly 65 percent of the U.S. retail doughnut market, thereby providing the leverage necessary to regulate doughnut prices. Dunkin' has 1,900 units.

"We're part of a dying chain," said Dick Haefner, a member of the board of directors for the Mister Donut Dealers Association. "Dunkin' has already said they won't renew any more Mister Donut franchises. So either we convert, or slowly go out of business."

Pantera's prexy resigns; company delisted by NASDAQ

DALLAS — Gary Lomax, a longtime executive of Pantera's Corp. who held a number of positions before gaining the president's suite, has resigned and is no longer associated with the company's subsidiary, Pizza Inn.

Lomax's departure comes about two weeks after Jeffrey Rogers, former president and chief executive officer of USA Cafes, was named president and chief executive officer of Pizza Inn.

Two other longtime Pantera executives — Jack D. Harris and Roy J. Schumacher — remain on the board of directors.

Meanwhile, Pantera's failure to file a quarterly or annual report within the limits of an extended deadline has resulted in the delisting of its common stock from NASDAQ and the company has reported it cannot state when or if it will file any future periodic reports.

Pantera's has been operating under Chapter 11 since October and is continuing to formulate a reorganization plan.

Schmidt, Ilitch team up to open new restaurant

DETROIT — Jimmy Schmidt, chef-owner of the Riverplace Rattlesnake Club here, is opening a second restaurant, Tres Vite, in partnership with Michael Ilitch, founder and chairman of Farmington Hills, Mich.-based Little Caesars Enterprises.

The 100-seat restaurant is located on the street level of the Fox Building, the Detroit landmark owned by Ilitch. According to Schmidt, Tres Vite — which means "very fast" — will be an American-style bistro offering thin crust pizzas, salads, sandwiches, roast chicken, and various paillards. Check averages are expected to run $6 at lunch and $20 for dinner.

Tres Vite is scheduled to open in mid-April.

Wisconsin judge okays taxing the skies

MADISON, Wis. — A Wisconsin judge has clouded airline caterers' skies by ruling that the state can tax alcoholic drinks sold on airplanes flying above Wisconsin.

Legal experts predict that the ruling will spur other states to also levy in-air surcharges. Caterers may be forced to adopt complex accounting systems for tracking how much each state should collect from interstate flights.

In Wisconsin, officials have already indicated that they will attempt to avert a logistical nightmare by levying the tax solely on carriers with ground operations within the state.

Famous Restaurants head may lead LBO

SCOTTSDALE, Ariz. — Dennis B. Mullen, chairman, chief executive and president of Famous Restaurants, said he may lead a leveraged buyout of the company.

In a statement, Mullen said he expected that the company would be worth $2.50 a share or about $17.5 million. In recent trading, Famous Restaurant stock closed at $1.50.

Famous comprises 55 restaurants, including 44 Garcia's Mexican Restaurants, 9 Casa Lupita Mexican Restaurants and two Famous Fish Co. Restaurants.

Inflight group to develop own food-handling code

LOUISVILLE, Ky. — Preempting "universal" regulations being developed by the government, a group of airline foodservice professionals has won federal approval to draft an industry-specific food-handling code.

U.S. Food and Drug Administration approval of the Inflight Food Service Association's request to draft a model quality assurance program comes as the FDA is formulating its own general purpose "Unicode." The so-called Unicode will replace the 1976 Retail Food Code, which is currently used to regulate supermarkets, vending machines, restaurants and airline feeding.

IFSA, which said its Government Affairs Committee will draft the regulations, said the specialized code should help "overcome many of the difficulties posed by compromises inherent in the combined code, and allow the industry to better address its own specific food safety needs."

Arby's tests array of new sandwiches

ATLANTA — Exploring popular taste trends from barbecue to New Orleans, Arby's Inc. is testing a bevy of new sandwiches.

"Smokehouse" sandwiches include a smoked ham deluxe and a smoked turkey deluxe — both with lettuce, tomato and mayonnaise — plus a smokehouse club, which includes both sliced meats, bacon, lettuce, tomato and mayonnaise, said Arby's president Frank Belatti. The sandwiches sell for between $1.99 and $2.29 each.

Also in test are such items as the "Albuquerque turkey" sandwich, with sliced turkey, lettuce, tomato and a special southwestern sauce, and New Orleans-style Po Boy and muffaletta sandwiches, Belatti said.

Meanwhile, Arby's is bringing back its 99-cent "roast beef classics" line of downsized sandwiches for a limited March run systemwide. Arby's is evaluating whether it will make the line a permanent menu addition, Belatti noted.

Chili's launches strip steak

DALLAS — Chili's, the 196-unit casual dinner house chain based here, has added a strip steak platter to its menu.

Strategic development vice president F. Lane Cardwell reports that the 10-ounce steak platter, introduced in mid-January, comes with barbecue beans, Texas toast and curly fries. The $9.95 item is the first traditional steak entrée that Chili's has introduced.

Chili's plans to launch a grilled Caribbean chicken salad, made with grilled strips of marinated chicken, on April 1. According to Cardwell, the menu addition will be priced at $5.75.

Wendy's profits plunge in 4th Q but rise for year

DUBLIN, Ohio — Despite a 16-percent drop in fourth-quarter profits, Wendy's International said its net income for 1989 rose by 7 percent from the prior year's tally, to $30.4 million.

However, the company acknowledged that a change in accounting methods yielded $5.2 million of the 1989 profit total.

Revenues grew by less than 1 percent, to $1.07 billion.

In releasing the figures, Wendy's noted that the fast-food market has been the scene of widespread discounting. It mentioned that the number of transactions at company stores rose during the fourth quarter of 1989 by 4 percent, while average unit sales increased by 3.1 percent.

Net profits for the quarter were off 16 percent, to $5.7 million, on a 1 percent increase in revenues, to $261.1 million.

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NEWS

Massey, built KFC, dead at 85

by Peter Romeo

PALM BEACH, Fla. — Jack C. Massey, an entrepreneur who stepped out of retirement in 1964 to buy a then-fledgling restaurant chain called Kentucky Fried Chicken, has died after a short illness. He was 85.

At the time of his death, the one-time delivery boy was chairman of Volunteer Capital Corp., a Wendy's franchisee and the former franchisor of the Mrs. Winner's Chicken & Biscuits fast-food chain.

When the company was struggling in 1988 to meet its debt obligations, Massey provided funds to retire two outstanding loans. His action helped the concern thwart a hostile takeover attempt by industry veteran Joseph Spillman.

In the years between his co-ownership of KFC and his involvement with Volunteer, Massey left an indelible mark on the health-care industry when he co-founded Hospital Corp. of America. Under Massey's tutelage, the company became one of the nation's largest owners of hospitals.

Massey

Massey began his career as a delivery boy for his uncle's pharmacy in Tennille, Ga. Fascinated with the drugstore trade, he became a pharmacist and opened several shops of his own, in Nashville, Tenn.

At the height of the Great Depression, Massey cashed in his small pharmacy chain and began selling surgical supplies. His business flourished as the economy rebounded.

In 1961, while in his early 50s, Massey sold the medical-supply company and retired. But his respite was short-lived.

In 1964, after searching for a new entrepreneurial opportunity, he and partner John Y. Brown presented Col. Harland Sanders with a bid for his Kentucky Fried Chicken chain. Sanders accepted the offer, and KFC entered a new era.

Massey and Brown rapidly expanded the chain before selling it to Heublein Corp. in 1969.

Massey spent most of the 1970s launching and expanding Hospital Corp. of America. He parted with the company in 1978 and then plunged back into the foodservice business via Mrs. Winner's.

China Coast serves taste of the Orient

(Continued from page 1)

Garden restaurant, which opened in 1982.

Shunning the exotic, China Coast captures the ambience of the Orient by using landscaping, white siding and a slightly curved turquoise roof. The open interior becomes brighter and much breezier when quaint sliding windows are pushed open.

A Chinese cook works the Dim Sum appetizer bar, entertaining China Coast patrons like the pasta makers at The Olive Garden. The Dim Sum chef steams and deep-fries such items as Chinese pot stickers, Shanghai dumplings, Cantonese wontons, Szechuan chicken wings and teriyaki skewers.

"The idea is very good; America has nothing like it," admitted Tzow Chyi Chen, whose nearby Ming Garden restaurant on International Drive, with $12 average dinner checks, is seen as China Coast's main rival here.

But General Mills, the quiet giant that owns and operates 450 Red Lobster restaurants and another 175 domestic units of The Olive Garden, is going to wait a while before reading the fortune of its newest venture.

"It's way too early to talk about China Coast," said spokeswoman Anne Powell of the test unit, which is located about halfway between Walt Disney World and downtown Orlando — a city 13.5 million tourists visited last year.

Sources said the concept team would put at least six months into fine-tuning before a second Orlando unit opens.

China Coast is currently serving its $4.95 lunch buffet from 11 a.m. until 2 p.m. and dinner until 11 p.m. As the concept moves ahead, one of the development team's key considerations could be whether lunch buffet traffic offsets any cannibalization of regular menu sales.

The interior of the newly opened China Coast in Orlando, Fla.

China Coast
Orlando, Fla.
Concept: Casual Chinese dinner house
Opened: February 1990
Average checks: $7 lunch; $11 dinner
Projected volume: Over $2 million a year
Ownership: General Mills Restaurants Inc.
Source: NRN

China Coast is serving 12 appetizers, three soups, four desserts — and 44 entrées. Three "spice" levels are available and a choice of fried or steamed rice.

Cantonese dishes range from sweet and sour shrimp at $8.95 to dragon and phoenix at $11.95 to almond gai ding at $7.95. Mandarin specialties include mu shu chicken at $7.95 and Shanghai ginger shrimp at $10.95. Among the Szechuan plates are spicy chicken with cashews and Hunan triple crown at $11.95.

Three American items — charbroiled New York strip steak, fried chicken breast and fried shrimp — are also available.

"They're going to be healthy competitors," Ming Garden's Chen noted.

"We're extremely interested," added Joe Zhou, the manager at Hunan, one of four independent Chinese operators within walking distance of China Coast.

International Drive patrons — mostly tourists — represent a cross section of America, even the world. And China Coast's proximity to so many other Chinese restaurants gives General Mills a chance to read how the concept may do vs. independents in other markets.

"The lanterns are Japanese, and the chairs are Polynesian," joked Chen, who is nevertheless awed by the Dim Sum chef idea.

Not only was General Mills encouraged by its own research calling Chinese food the most popular ethnic cuisine in the nation, but the company got new validation from a recent National Restaurant Association study ranking Chinese ahead of Italian and Mexican fare.

China Coast
Menu Sampler

Appetizers	
Cantonese wontons	$1.95
Chinese pot stickers	$2.95
Egg roll	$1.45
Egg drop soup for two	$2.45
Entrées	
Moo goo gai pan	$7.95
Steamed subgum wonton	$12.95
Pepper steak	$7.95
Sizzling seafood wor bar	$12.95
Pork lo mein	$6.25
Spicy shrimp with cashews	$8.95
Kung pao pork	$7.95
Hunan triple crown	$11.95
Desserts	
Chinese silk pie	$2.45
Great wall of chocolate cake	$2.75

China Coast restaurant sign.

MARKETING

Operators: '90s advertising must begin in the unit

Marketing trends veer from flashy campaigns, focus on in-store promos

by Bill Carlino

Embracing more straightforward tactics to juice up traffic counts, restaurant operators are relegating catchy jingles to the back burner and turning to local store promotions.

While restaurant advertising in the 1980s was geared toward often-repeated slogans like "Where's the Beef?" and "It's time to make the doughnuts," operators are filling this year's promotional calendars with children's programs, discount coupons, new product introductions, take-out services and special event or motion picture tie-ins.

"The 1990s will have to be a back-to-basics decade," warned Al Ries, of the Greenwich, Conn.-based marketing firm of Trout and Ries. "Whether it's a national TV campaign or a two-for-one coupon you'd find in a newspaper, most chains will stay conservative and not venture into something exotic. That was one of the key mistakes of the 1980s."

"Advertising has to begin in the stores or restaurants in order to fulfill its primary purpose — to distinguish your operation from everyone else's," said Brad Todd, a principal at The Richards Group, Dallas, which currently does creative work for several major restaurant chains, including T.G.I. Friday's, Ponderosa, El Chico and Pizza Inn.

According to the National Restaurant Association's Industry Operation's Survey, about 18 percent, or nearly one of every five visits to a fast-food or family restaurant, involved some type of price discount or coupon promotion in 1989 — a 2-percentage-point increase over the 1988 figure.

"You'll see more local-level promotions in the 1990s, especially from larger operations that have already run the advertising gamut," Todd continued. "In order for an idea to advance chainwide, it has to build area awareness."

As a caution flag against operators' venturing into high-budget and mystery-type campaigns, Ries cited the mid-1980s washout of Burger King's "Herb" character and, more recently, the mass-media effort launched by Nissan to complement the rollout of its Infiniti sports car.

"Both Burger King and Nissan aired hundreds of expensive TV commercials that attempted to build suspense over the long-awaited arrival of the character and the car," Ries said. "And when the numbers came in, guess what? Burger King wasn't selling any more hamburgers and the Infiniti didn't move."

Industry advertising highlights for this year will include a host of new menu items from Kentucky Fried Chicken, International Dairy Queen and TCBY; ongoing price discounts from major pizza operations like Pizza Hut and Little Caesar's; concerted promotional challenges from upscale dinner houses; and more mid-sized operations increasing their use of radio.

"Basically, price-point promos like our current 'sausage lovers' campaign will play a large part in advertising for us and probably for the entire industry," said Steve Davis, vice president of national marketing for Pizza Hut.

Davis, who, like most operators, interviewed indicated a slight increase in this year's advertising budget, said the 6,800-unit operation hopes to mirror the success of its new product launchings over the past decade, which included pan pizza, personal pan pizza and hand-tossed pies.

Although major TV network campaigns are the rule rather than the exception for segment leaders like McDonald's, Burger King and KFC, operations without the luxury of a mega-dollar ad budget are taking advantage of less expensive spot buying of radio air time.

Statistics released by the Television Bureau of Advertis-

*(See **OPERATORS,** page 79)*

Top 10 restaurants in total estimated media spending (1989)

Chain	Amount (in millions)	Percentage change from 1988
1. McDonald's	$427,589.5	7.0%
2. Burger King	128,474.3	4.0
3. Kentuckty Fried Chicken	112,755.4	13.0
4. Wendy's	90,534.4	5.0
5. Pizza Hut	87,404.3	5.3
6. Domino's	62,363.3	14.9
7. Taco Bell	59,662.4	– 8.1
8. Red Lobster	56,376.5	11.0
9. Hardee's	40,664.4	– 9.1
10. Long John Silver's	23,568.1	– 9.3

Includes: magazines, Sunday magazines, newspapers, outdoor, network TV, spot TV, syndicated TV, cable TV, network radio.

Source: LNA/Arbitron Multi-Media Service and NRN projections.

AD WATCH

Just get me to the church on time:

The Holiday Inn Crowne Plaza in Natick, Mass., trumpets its extensive banquet facilities and wedding packages for marriage-minded couples in the Boston hub. The ad appeared in a recent issue of Boston magazine.

"AdWatch" submissions should be either proofs, prints, or stills of a new print, direct mail, or television advertisement for a restaurant or restaurant chain, with accompanying information on the responsible agency name, if any, and the media time and placement schedule. Submissions should be sent to: Marketing Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.

MARKETING DIGEST

Marriott unveils new print ads

WASHINGTON — Marriott Hotels and Resorts has released "Service. The Ultimate Luxury," its first national print ad campaign in more than four years. Targeted at the business traveler, the massive print effort appears in several leading publications, including The Wall Street Journal, The New York Times, Newsweek, The Chicago Tribune, Time and BusinessWeek.

Marriott officials would not disclose how long the campaign would run.

ShowBiz Pizza launches new TV spots

IRVING, Texas — ShowBiz Pizza Inc., operator of ShowBiz Pizza Place and Chuck E. Cheese's pizza restaurants, has unveiled a pair of 30-second spots, scheduled to air in about 70 of the chain's markets.

One of the new commercials centers on a dream-sequence vignette about a boy's visit to either a ShowBiz or Chuck E. Cheese's unit, while the other spotlights a catchy jingle complete with a bouncing ball to encourage the viewing audience to sing along.

Both spots, which carry the operation's ongoing tag line, "Where a Kid Can Be a Kid," are the creation of the Keller-Crescent agency, Dallas.

Olive Garden chain celebrates Carnivale

ORLANDO, Fla. — The Olive Garden, the 150-unit Italian dinner-house subsidiary of the General Mills Restaurant Group, is staging its own version of the annual spring Venetian Carnival or "Carnivale."

During the celebration, which is scheduled to run through April 8, each Olive Garden restaurant will offer four nev' entrées; tiramisu, a layered dessert; and a selection of wines from the Venice region. In addition, all front-of-the-house employees will don traditional festival costumes and masks, and Olive Garden hosts and hostesses will appear as Venetian "gondoliers."

Shakey's appoints new marketing VP

SAN FRANCISCO — Shakey's Inc., franchisor of more than 200 pizza restaurants throughout several Western states, has named James Fisher its vice president of marketing.

Fisher, who held the posts of senior national marketing director and senior national advertising director at Pizza Hut, had spent 12 years as an advertising executive before joining the Pepsico subsidiary in 1984.

According to Eugene Stone, Shakey's president and chief executive, the marketing position filled by Fisher had been vacant for several years.

PURCHASING

At Golden West, flexibility + teamwork = results

by Patt Patterson

Golden West Restaurants
Salinas, Calif.
Operation: 18-unit family restaurant chain
Menu: American home-style
Annual sales: $22 million (est.)
Average seating: 100+
Check: Breakfast — $3.00; lunch — $4.00; dinner — $5.00
Key Buyer: Ed McConnell, director of purchasing

"You have to stay flexible," according to Ed McConnell, "if you want your purchasing operation to run smoothly." McConnell is director of purchasing for Golden West Restaurants, based in Salinas, Calif. "You have to be on the lookout for new ideas and new products. You have to monitor quality and service, and you have to watch market conditions like a hawk.

"And it takes teamwork within the organization to achieve the results you want."

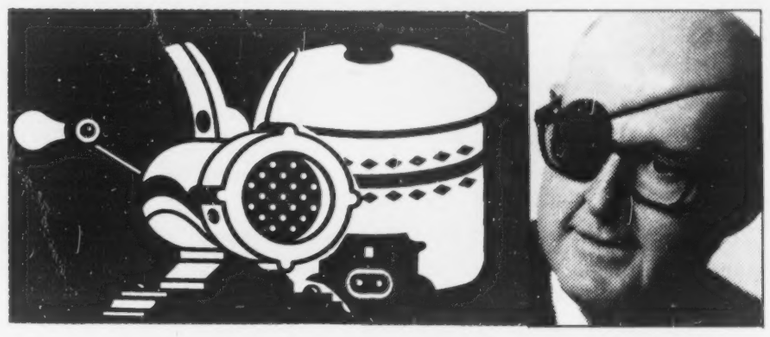
Teamwork is mentioned frequently in any discussion with McConnell. Golden West is a family-run company, and McConnell stressed that family members, key executives, district supervisors and unit managers work together to keep the operation "on the ball."

McConnell works with one master distributor that services the units in Northern California and Nevada with dry and frozen grocery items. In addition, he works with meat, produce, dairy, bakery, beverage and specialty suppliers throughout Golden West's marketing area. McConnell's responsibilities are food purchasing, quality control and supplier relations. Units get their non-food supplies and equipment through Golden West Supply Co., a corporate subsidiary that does not fall under McConnell's department.

"I work with food distributors, brokers and manufacturers," McConnell said. "I see a lot of sales representatives, almost daily. I generally try to schedule appointments for Tuesday through Friday. In the average week I'll have appointments with at least seven or eight.

"I try to use these visits to my advantage. I get a pretty good broad view of what's happening in the marketplace. I get a good cross-reference of market pricing.

"They bring me a lot of new products, and I can get a feel for what the public wants by finding out what's happening in other operations."



McConnell joined Golden West four years ago, after serving as purchasing director for two Monterey Peninsula resort hotels. "When I came here, I was charged with setting up programs with suppliers that will work efficiently and smoothly," he said. "Right now we're working with better than a 98-percent service level. 'Outs' are almost non-existent."

Quality control is one of McConnell's major concerns. "Purchasing is more than just watching dollars," McConnell said. "It's really a matter of quality and service. I have to make sure what we buy meets our high quality standards and follow through to see that quality reaches the units.

"The key is communication. It takes constant communication with manufacturers, with distributors and with our own units. I spend a lot of my time out visiting the units, talking with unit managers and district supervisors. And it requires communication with top management.

"You have to be flexible. Not everyone sees things the same way. In the final analysis our customers really call the shots. You have to communicate with them, too."

McConnell emphasized that quality control at Golden West is a team effort. "Quality is more than a comparative thing," he explained. "We read the labels. We want to serve good food and healthful food.

"And we do a lot of cutting and sampling of the products we buy regularly. Every week we're conducting ongoing testing. We want to be sure our quality stays consistent.

"When a new product comes in for consideration, it goes through a four-step process. First, we compare it with our current products if there is any similarity or if it is designed to replace one. Then we invite other suppliers to submit samples of their competitive products.

"The third step is to have our evaluation team consider it. That team will generally consist of me, the president, executive vice president, general manager, a representative from the advertising department and district supervisors. We look at every aspect of the product.

"With as much new product activity as there is in the marketplace, we're conducting that type of evaluation almost every week."

If the product passes the team evaluation, it goes to the final stage, into an actual test at a couple of the units. "Our customers are the final judges," McConnell emphasized. "We solicit customer reaction on any new product. After all, that's the whole purpose of this business: to please the customer."

Pricing review is an important part of McConnell's job, he said. "The unit managers send invoices to the office," he noted. "Here they're reviewed by me and by the accounting staff.

"They're compared to the bids from the suppliers: monthly from the master distributor, weekly from the meat purveyors, but on some regular schedule from all of them not on a contract. But we don't find many problems. Our suppliers work closely with us."

McConnell is the company troubleshooter when it comes to food supply. "An important part of our quality control system is the unit managers," he said. "And an important part of quality from our standpoint is service. If any problem comes up with either quality or service, I hear about it right away.

"Not that we have many problems, but when one does arise, I go right to the source. We know our suppliers. I visit them frequently.

"Before we ever take on a new one, I go out and look at the warehouse and the trucks. If they can't run a clean operation, we're not interested. Sloppiness usually carries over into all aspects of service.

McConnell reviews his suppliers regularly. "We have a quarterly review of our major suppliers, but we get to all of them at least once a year," he said. "It works out very well.

"We let our suppliers know what we expect from their sales reps and from the drivers. Drivers are a key factor in service. Our unit managers order by phone. The supplier representative they see is the driver.

"If that driver can't communicate with our units, the whole system breaks down. But we've been very fortunate with our suppliers. They have good people.

"Teamwork isn't just an internal thing. Our suppliers are also part of the team. By staying flexible and working together, we can all be successful."

MARKETING

Operators: '90s advertising must begin in unit

(Continued from page 12)
ing show that the top 10 restaurant chains spent nearly $530 million on local television buying in 1989 — a 5-percent increase over the 1988 figures.

However, casual-themed operations like T.G.I. Friday's and Denny's have hiked local radio spending more than 100 percent since 1987.

According to the Radio Advertising Bureau, T.G.I. Friday's spent $5.3 million and Denny's $3.3 million, ranking them fourth and ninth respectively, among all restaurants buying radio air time in 1988, the last full year of available statistics.

"A television ad on prime time in a local market can cost thousands of dollars," a researcher for the RAB said. "More restaurants and fast-food chains discovered food commercials airing on TV at 8 o'clock at night aren't that cost-effective because most people have already eaten dinner."

But regardless of the medium employed, speed and efficiency of a chain's message will be a key challenge for foodservice advertising in the 1990s.

"People have less discretionary income and even less time to eat," said Ron Paul, president of Technomic, a Chicago-based research firm. "Restaurants cannot bombard the consumer with 19, 20 similar tag lines and offers."

With the 1990s consumer strapped for time as well as money, more operators are sculpting their marketing and promotional calendars toward the off-premises market.

According to figures from the NRA, off-premises food consumption now accounts for about 45 percent of the traffic in the estimated $241 billion foodservice industry.

Greg Lippert, director of marketing for the 270-unit Mazzio's Pizza, warned that simply advertising take-out and delivery isn't enough — especially in the pizza segment.

Lippert said that, facing major segment competition from Pizza Hut and Domino's, the Tulsa, Okla.-based Mazzio's also offers delivery of hot and cold sandwiches, pasta, and even nachos.

"If the 1980s was the decade of 'spend, spend, spend,' the 1990s will be the decade of 'save, save, save,'" Lippert said. "Buying take-out is less expensive than eating on-premises, so you'll see a lot more of that throughout the 1990s."

To counter the menu competition of Pizza Hut and Domino's, Mazzio's has launched a variety of specialty pizzas and coupled them with price discounts and coupons.

The burgeoning children's segment will be a prime in-store target for both McDonald's and Burger King, as each will allocate a hefty chunk of its 1990 promotional efforts to the burgeoning children's segment.

With $1.1 billion slated for advertising and promotions — the highest in the foodservice industry — McDonald's will continue to funnel much of its marketing efforts via its children's "Happy Meal" package and tie-ins with motion pictures like the chain's recent $5 gift certificate redeemable for figurines from the Walt Disney film "the Little Mermaid."

Miami-based Burger King, which finally ended its well-documented 1980s advertising failures by splitting the company's $200 million ad budget between the agencies of Saatchi & Saatchi and D'Arcy, Masius, Benton & Bowles, has answered McDonald's children's meal with its "Kid's Club."

A Burger King representative said the 5,500-unit chain plans to have Kid's Club tie-ins with several airlines, publish a Kid's Club newsletter and offer premium coupons redeemable for various figurines like the current Kid's Club offer of Teenage Mutant Ninja Turtles replicas.

The $5 billion dinner house segment will be one of the most hotly advertised segments of the the 1990s, as operations like Red Lobster, T.G.I. Friday's, Chi-Chi's, Stuart Anderson's and Chili's scramble to gain even fractional increases in market share.

"Over the last decade, the dinner house has basically evolved to a TV concept," said Julia Stewart, director of marketing for the 85-unit Stuart Anderson's Black Angus restaurants in Los Altos, Calif. "But you can't just throw an idea against the wall or in a TV commercial and hope it sticks. As dinner-house operators, we compete not only against our own segment but with the upscale independents, too."

Dinner-house operators say that specially priced "limited-time offers" coupled with new entrée lines will account for the bulk of that segment's marketing strategy during the next several years.

While fast-food and casual-theme restaurants can run multi-faceted promotions, many upscale restaurants will rely more on "event marketing" during the 1990s.

"We tailor our advertising efforts because we know what type of clientele we're targeting," said Mary Edwards, director of marketing for Sfuzzi, a three-unit Italian concept with locations in New York, Dallas and Houston. "Last year we ran a promotion celebrating the 100th anniversary of the modern-day pizza."

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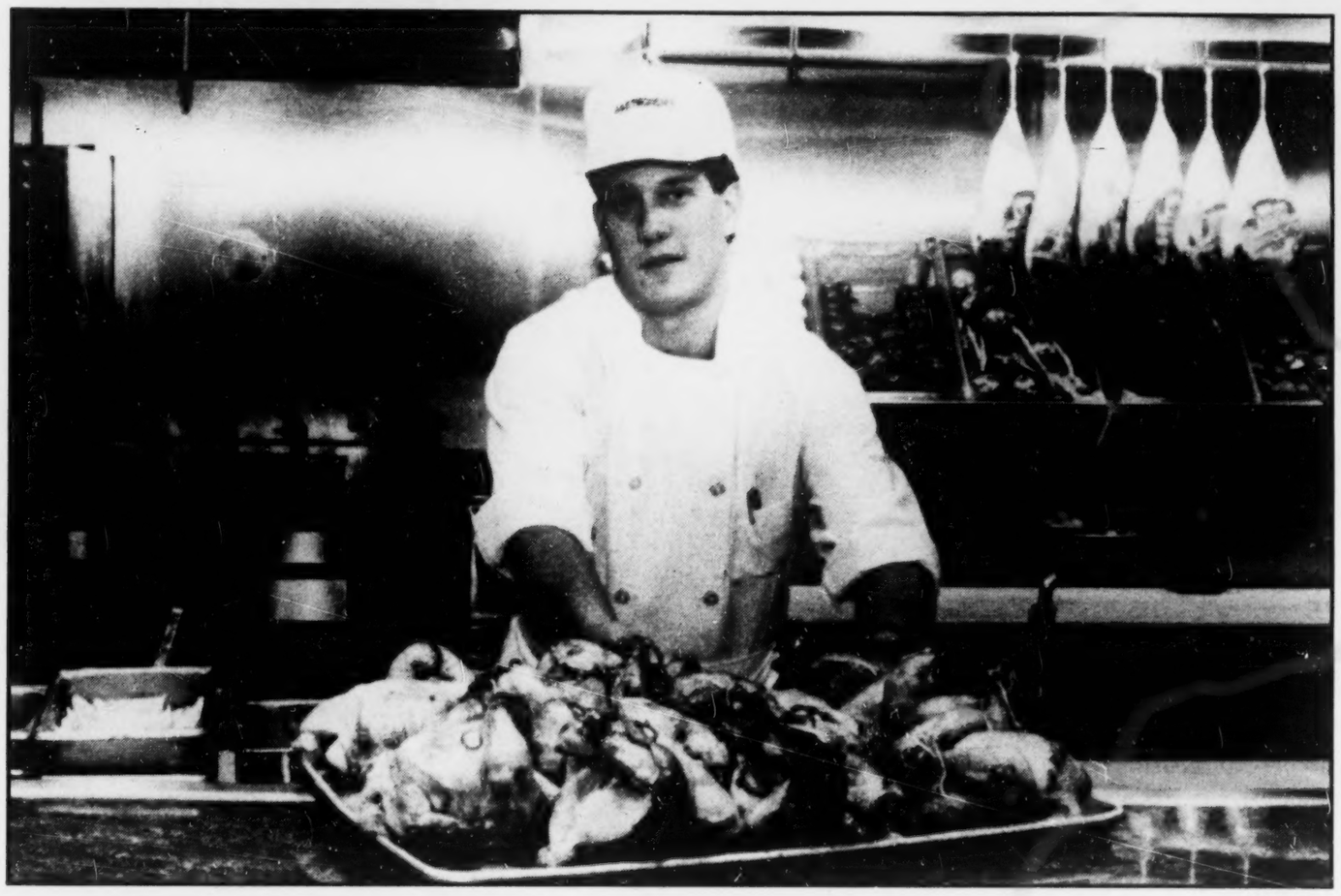
Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 10 | Published every Monday by Lebhar-Friedman Inc. | March 5, 1990



NRN Photo

Marco Schlenz in the exhibition kitchen at Baci Trattoria.

Gastronomy Inc. bets on Baci to whet Salt Lake appetites

by Alan Liddle

SALT LAKE CITY — "Gastronomy: the art or science of good eating." Webster's Ninth New Collegiate Dictionary.

Gastronomy Inc.: a purveyor of good eating that rings up annual sales of $17 million from seven restaurants in historic Salt Lake City buildings.

Owned and operated by John Williams, Thomas Sieg, Tom Guinney and Marco Schlenz, Gastronomy Inc. has combined dynamic design, "comfort foods" and moderate prices to become a high-volume leader of downtown dining.

"We're not trying to make a 'statement' or a fickle culinary creation; we're trying to create value, great atmosphere and consistent products," co-owner and corporate chef Schlenz says.

Perhaps best embodying that philosophy is the company's newest creation, the months-old Baci Trattoria, where the per-person average is $7 at lunch and $13 at dinner. The trattoria, along with its sister concept, Club Baci, a private club, is expected to generate first-year sales of about $3.5 million.

Baci Trattoria's decor, with its smooth, white, sculpted walls, pillars, archways,

(See GASTRONOMY, page 65)

Irked by no-shows, operators tighten seating policies

by Jack Hayes

In a renewed campaign against reservation no-shows, fine-dining operators from coast to coast are mobilizing computers, creativity and common sense to keep their lunch and dinner tables filled.

Wounded more by the missing dollars than by the lack of courtesy on the part of patrons who default on reservations, the owners of tablecloth restaurants across the nation are demanding reconfirmations and even cash for guaranteed seats.

And while some high-volume operations are overbooking, more and more restaurateurs — like so many doctors who bill for broken appointments — are beginning to charge the customers who jilt them without notice.

"A seat represents dollars, and we take great pains to see that every one is taken," said Tom Kaplan, manager of Spago in Los Angeles, where overbooking runs 10 percent to

(See NO-SHOWS, page 4)

What should be done about no-shows?

Nation's Restaurant News is opening the 24-hour, toll-free NRN Hot Line to gather the industry's views on no-shows.

What should be done about the problem? What are you doing? NRN wants to know.

When you call the NRN Hot Line, an answering machine will ask for your statement. If you like, you may leave your name and phone number so that we can confirm your statement for possible publication.

NRN Hot Line
1 (800) 678-7711

Mr. Donut franchisees win court round stalling takeover

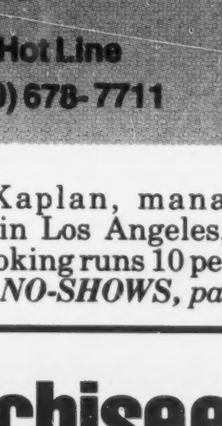
by Bill Carlino

ALLENTOWN, Pa. — A federal judge has ruled in favor of about 130 Mister Donut franchisees who are seeking to block the sale of the 588-unit doughnut chain to Allied-Lyons PLC by imposing a temporary anti-trust injunction on the British conglomerate.

The ruling by Judge Franklin Van Antwerpen of the United States District Court of Eastern Pennsylvania means that Allied-Lyons' January agreement to purchase Mister Donut for $31.5 million could be stalled for at least two weeks.

"We're obviously very pleased with the way things have gone," said Douglas Trowbridge, president of the Mister Donut Dealer's Association, the chain's franchisee group. "Basically, we want to stop the doughnut monopoly that Allied-Lyons is attempting to create."

Scrambling to keep their own identity, the franchisees charge Allied-Lyons, which just six months ago added the 1,900-unit Dunkin' Donuts chain to its portfolio, will eliminate chain competition in the retail



doughnut segment if the sale is allowed to proceed.

"If we become one chain, the customers who had a preference between Dunkin' and Mister Donut won't have a choice anymore," Trowbridge added. "The only other major

(See COURTS, page 64)

Disney set to unveil Mickey's Kitchen

by Richard Martin

MONTCLAIR, Calif. — The Walt Disney Co. has issued a "casting call" for foodservice workers to star in Mickey's Kitchen, Disney's first restaurant venture outside a theme park.

The "wholesome" fast-food outlet is set for an April debut inside the Montclair Plaza shopping mall, 30 miles east of downtown Los Angeles. Mickey's Kitchen will operate as an adjunct to a new branch of the company's Disney Store, a 41-unit gift-retailing chain that features Disney art and memorabilia.

Disney's planned launch of Mickey's Kitchen signals a new "Main Street" tack in hospitality for the entertainment firm, whose estimated 1989 theme-park restaurant sales of $506 million ranked it as the industry's 25th-largest foodservice operator.

However, Mickey's Kitchen is not Disney's first attempt at a retail mall-based food operation. Two years ago, citing a dim outlook for profitability, the company scuttled its 1987 plan to open an array of fancifully themed restaurants in a $300 million shopping mall-studio tour attraction it had

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 10 March 5, 1990

NEWS BRIEFS

Chicago franchisee sues Sizzler

CHICAGO — Sizzler International has been slapped with a $25 million federal breach of contract suit by its third-largest franchisee, who alleges that Sizzler used fradulent means to weaken the licensee's business in order to regain the Chicago market with company stores.

FBN Food Services and its subsidiary, Midwest Restaurant Concepts, a 21-unit Sizzler franchisee, alleged that from the moment it bought eight Sizzler restaurants from Sizzler International three years ago, the franchisor has fradulently used a series of manipulative and deceptive practices to harm the franchisee's business and re-enter the market with company units.

"Sizzler is already there," said Thomas L. Gregory, the president and chief executive officer of Sizzler who expressed puzzlement over the charge. "Why would we try to put restaurants there when we have an excellent franchisee in Chicago? We have not done anything to get the market back."

The suit contends that Sizzler undermined FBN's business by failing to enforce operating standards, allowing other franchisees to skirt advertising co-op contributions, aligning an inferior meat supplier for FBN and attempting to recruit one of FBN's key executives.

Supermarket prices surge in January

WASHINGTON — Prices at grocery stores rose at their fastest year-to-year rate in two years in January, while restaurant menu price inflation eased again, the Department of Labor said in its monthly inflation report.

Food away from home, the Labor Department's barometer of menu price changes, rose 4.5 percent from the figure for the year-ago month in January after rising at a 4.6-percent rate in December and 4.7 percent in November.

Meanwhile, food prices in supermarkets jumped at an 8.1-percent rate in January after a 6.2-percent gain in December and a 6-percent rise in November, the department said.

Utah gov. signs drink reform bill

SALT LAKE CITY — Utah Gov. Norman H. Bangerter made the last day of the state's legislative session memorable for restaurant owners and their patrons by legalizing mixed drinks and extended hours for liquor service.

The bill permits restaurants to serve guests mixed drinks for the first time in at least two decades. However, it prohibits restaurants from serving mixed drinks until they have installed metered portion-control devices limiting the amount of liquor in each glass to 1 ounce.

The new law requires all restaurateurs and on-premises licensees to install the metered liquor dispensers by July 1, 1991, and enables restaurateurs to begin liquor service at 1 p.m., or three hours earlier than was permitted under the old regulations.

The law also bans "brown bagging," the practice of letting consumers bring their own bottles of liquor into restaurants, taverns and clubs.

San Francisco Maxwell's closes after 9 years

SAN FRANCISCO — Maxwell's of San Francisco, the 9-year-old, 800-seat creation of flamboyant New York restaurateur Warner LeRoy, has been shut and will be sold piece by luxurious piece at auction, management reported.

"It is the saddest of times," general manager Carlo Nardi said shortly before the closing. "This is a beautiful place, and the dream of any manager is to have a restaurant like this. Sure it is complicated — I lost my hair here — but when this place is full and pumping with life, it is a fantastic sight."

LeRoy reportedly spent $7 million to build the lavish white linen White Elephant at Ghiradelli Square but was ultimately forced to give up his stake in the troubled venture.

The owner of world-famous Tavern On The Green in New York, LeRoy opened the San Francisco restaurant based on the success of his Maxwell's Plum in Manhattan, which closed last year.

Nardi said Maxwell's of San Francisco was still generating annual sales of about $5 million when its owners, including New York-based Restaurant Associates, decided they would be better off selling the lease back to the landlord.

The high overhead associated with running Maxwell's reportedly had hindered its profitability from the beginning.

Marcella Hazan develops new Atlanta operation

ATLANTA — Italian cooking expert Marcella Hazan has signed on as a hands-on consultant for a new restaurant here, V.V. Vici.

The 147-seat restaurant is owned by a group of Hazan's former students, including Janet Colgin, director of operations for Dakota's restaurants in Boston and Dallas. Located in the IBM Tower, V.V. Vici — short for Julius Caesar's famous line *"Veni, Vidi, Vici"* — will feature an open grill and rotisserie in addition to outdoor seating on the patio.

Hazan, a best-selling cookbook author and cooking teacher, will spend the next two months in Atlanta developing the restaurant's authentic, home-style Italian dishes.

V.V. Vici, which has been in the planning stages for more than two years, is scheduled to open at the end of April.

McDonald's to test pizza in 200 units

FORT LAUDERDALE, Fla. — McDonald's will expand its pizza test to 200 units this year, the company told a meeting of financial analysts here.

In addition, the company said it has ended a five-month test of fried chicken on the bone and will not resume it. A group of Texas franchisees had been testing the item.

McDonald's is currently testing pizza in 24 restaurants in Hartford, Conn., Fresno, Calif., Las Vegas, Nev., and Evansville, Ind., chief financial officer Jack Greenberg told the group.

When an analyst asked Greenberg to provide an update on the pizza test, Greenberg drew a round of laughter when he replied, "I can tell you that it's the best."

Mahony follows Sirkis in Jerrico operations post

LEXINGTON, Ky. — Bill Mahony has succeeded Bob Sirkis as executive vice president of operations for Jerrico, operator of the Long John Silver's quick-service seafood chain.

Sirkis resigned in late January, according to sources at the company. They quoted a company statement that Sirkis left "to pursue personal interests."

Mahony was previously senior vice president of operations, reporting to Sirkis.

Koop calls for end to beer, wine TV, radio ads

NEW YORK — Former U.S. Surgeon General C. Everett Koop has called for a complete broadcast ban on beer and wine advertising as a preventive measure against alcohol abuse and drunken driving.

At a roundtable of marketing, advertising and media executives here, Koop said drinking "is visually associated with sex, patriotism and active lifestyles. It helps convince young people to drink."

Roy Rogers counters KFC with taste test

WASHINGTON — Roy Rogers, the fast-food chain about to be acquired by Hardee's, is challenging Kentucky Fried Chicken in a new "Guaranteed or Your Money Back" ad campaign that focuses on the results of a blind taste test.

According to the test, which is based on a survey of 500 residents of Northeastern metropolitan areas, consumers prefer Roy's chicken to KFC's by almost a two-to-one margin. Sixty-two percent of respondents said they preferred the taste of Roy's product, while 37 percent expressed a preference for KFC's signature item.

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NEWS

Health plan mandate for Calif. operators

(Continued from page 3)

Although the law's intent is laudable, "there is a lot of stuff that restaurants would not be able to handle," said Naylor, whose American Restaurant Services operates 12 Hershel's family restaurants.

"The financial burden should not fall only on employers," Thompson noted. "If California decides health care is a universal right, there should be some sort of universal tax to pay for it. We may well have some responsibility, but we can't shoulder the whole responsibility."

Thompson predicted that Deukmejian's proposal will be rewritten several times before it is presented to the state Legislature for consideration. However, the governor said he would strive to present a bill to lawmakers by early March.

In the meantime, "the administration has been maintaining an open-door policy," Thompson said. "It's looking at the data it's getting from everyone."

Meanwhile, restaurateurs in Massachusetts continue to lobby for the repeal of that state's new health-insurance law. They are optimistic about their chances because the state lacks funds to administer such a program.

AmEx mulls charge for no-shows

NEW YORK — American Express denies it's any more than an idea, but restaurant operators believe the charge card giant will soon announce a guaranteed dining reservation plan for Platinum card holders at top restaurants in major cities.

Operators say the Platinum group's management is discussing a new program whereby cardholders will call a toll-free number to obtain reservations at top dining spots on 24 hours' notice.

Participating Platinum restaurants will be leading destination properties in major markets, operators said. There is a guaranteed no-show reimbursement promised by Platinum if booked reservations aren't honored.

"We've been trying to get it [American Express] to do this for the past two years," explained Gordon Sinclair of Gordon Restaurant in Chicago, who wants the same kind of program developed for the ubiquitous American Express green card.

Sinclair wants American Express to reword its green card contract so that restaurants may charge for no-shows. But American Express has no announcement coming on that issue.

"There is no progress on the assured reservation concept," a representative for American Express said.

Sinclair hinted American Express is afraid of abuses. He said the charge card firm might consider no-show reimbursement for operators honoring just the American Express card. But that would be too limiting, he said.

Another problem is written confirmation, Sinclair said. Hotels charge a no-show on the basis of having mailed a guaranteed reservation. But Sinclair believes operators might be able to send written seating guarantees via FAX.

Sinclair's main argument against charge card policy is that patrons don't consider themselves bound even when giving card numbers for reservations.

If cardholders were responsible, then reservations would become financial commitments customers would have to honor — or cancel by a certain time.

"And that would do away with the no-shows," Sinclair said. *J.H.*

> The main argument against charge card policy is that patrons don't consider themselves bound even when giving card numbers for reservations.

No Shows: Operators tighten seating policies

(Continued from page 1)

15 percent — the average no-show rate even with confirmations.

"At $58 a person, we lose big when a party of 10 doesn't show," said Deborah Elsner, who is an assistant maître d' at Nikolai's Roof in Atlanta and handles telephone reconfirming to slash the no-show rate.

The nationwide no-show crackdown is part of an all-fronts battle against shrinking margins in the face of aggressive competition and the menace of sky-high overhead within the fine-dining segment.

"We enforced a $20-per-seat deposit for Super Bowl reservations," said a staffer at Versailles in New Orleans. "After so many no-shows on New Year's Eve, we had no other choice."

In major convention cities, where reservation breaches run rampant during overcrowded trade shows and sporting events, operators are reluctantly calling 1990 the start of "a decade of disloyalty."

At Commander's Palace — another popular New Orleans destination that is not immune to abusive no-shows, particularly during major conventions — large tables are now reserved with refundable deposits, said operator Ella Brennan.

But while visiting out-of-town groups are blamed for much of the no-show harm, small parties and locals also are big offenders, according to operators.

"We've been studying the problem, and there isn't any consistency," said restaurateur Brennan. "It's just another example of declining courtesy," she said, echoing her peers in other cities.

The national Restaurant Association, in its most recent study of reservation no-shows, reported that three-fourths of tablecloth operators were calling to reconfirm table bookings with patrons.

But while the notion of demanding credit card numbers, requiring deposits on special- occasion nights and charging no-show fees was only minimally popular a year ago, that attitude is apparently changing.

Drew Nieporent, owner of Montrachet in New York, took deposits for New Year's Eve and Valentine's Day to guarantee seating. The 60-seat restaurant, which opened in 1985, is asking patrons to reconfirm reservations one day ahead of dinner.

"We'd have a 40-percent no-show rate without reconfirmations," said Nieporent, who calls patrons when they forget. And he defends his new policy of special-occasion deposits as an operating must.

Leslie Reis, owner of Café Provençal in Evanston, Ill., has an even tougher policy but claims it has cut down dramatically on no-shows and smoothed her seatings.

"We've had mandatory reconfirmation for five years," said the outspoken critic of no-shows. "The rule is reconfirm by 2 p.m., or we might cancel your reservation. In fact, we release the table after 3 p.m."

Café Provençal also takes deposits for New Year's Eve, Valentine's Day and during graduation week at Northwestern University, which is three blocks from the restaurant.

"We're very nice about it," Reis explained. "It's a $25 deposit, and the number of no-shows I've had to keep up with is minimal because when there's a money commitment, they either call or show up."

Reis, who keeps no-shows in a computer file and refuses a reservation to anyone whose name appears twice, recalled one patron's calling from the hospital after his wife gave birth six weeks premature, asking not to be blacklisted.

But operators complained that the stepped-up no-show attention diverts them from culinary and hospitality concerns, where they would much rather be focused.

"We're going to become more like accounting firms than restaurants," said Charles Palmer, who co-owns and operates the 96-seat Aureole in midtown Manhattan.

Calling New York the most troublesome no-show city in the nation, Palmer said he's justly proud that Aureole's broken reservations run just 15 percent.

"We reconfirm every day, and we never take reservations more than two weeks in advance," said Palmer, who hates to look at empty tables after they've been reconfirmed that morning.

CORRECTIONS

"Service America aims at segment leaders," page 7, Feb. 5, incorrectly reported that Ameritech is the parent company of AT & T's Midwestern operations. In fact, Ameritech is affiliated with Midwestern Bell, not AT & T. The article also stated that the feeding contract would encompass 65,000 employees a day. Actually it will encompass 62,000 employees and guests.

* * *

"Campus feeding," page 27, Feb. 19, incorrectly reported that the National Restaurant Association predicts college and university foodservice sales will total $11.5 billion this year. In fact, the NRA estimate is $6.5 billion.

FOCUS

Mexican dinner houses discover . . . There's life after tacos

by Richard Martin

Variety is increasingly the spice of life for the nation's Mexican dinner houses, as they try to cut through the competition by promoting grilled dishes, "healthier" recipes, and broader ranges of boldly seasoned foods.

The broad-based menu evolution is helping players in the sit-down Mexican segment capitalize on the popularity of ethnic foods and forge growth from a sluggish business climate.

Although "regional" and "authentic" have become buzzwords of the trend, such menu mainstays as tacos, enchiladas and burritos aren't likely to become endangered species. But with the fajita craze cooling down, operators are looking for enticing and challenging food alternatives to heat up the appetites of diners seeking more provocative taste sensations.

"We find people are getting much more sophisticated in their taste for Mexican food," says Mario Dovalina Jr., corporate secretary of 69-unit Pepe's and son of the founder of the Chicago-based dinner house chain.

"We've always been ahead of the game with having authentic items on the menu," Dovalina boasts. "Now, we're trying to market them better and improve our presentations."

Instead of pushing its tacos and burritos, Pepe's now emphasizes more unusual and complex specialties, such as *lengua en salsa* (tongue), chiles rellenos, and steak à la Mexicana.

Throughout much of the sit-down Mexican segment, the blander, predictably Americanized dishes of old are being displaced by more complex, often spicier creations. Many of the new offerings have been adapted from the coastal and interior provinces of Mexico and the chile-loving American Southwest.

Even in the nation's conservative, spice-shy heartland, diners are developing a taste for more assertive flavoring. Segment-leading Chi-Chi's, whose cautious use of hot spices helped it grow to 200 units throughout the Midwest and Northeast, recently launched two spicier "Tex-Mex" entrées that quickly became hot sellers.

"Tex-Mex" gobbles 12 percent

Out of scores of menu items, the chicken and steak "Tex-Mex" combination dishes currently account for about 12 percent of sales, according to Glenn Drasher, Chi-Chi's senior marketing vice president. "For us, that's really significant," Drasher says. "Our goal was 8 percent."

Chi-Chi's plans to shift toward a menu mix that would feature more of its original Sonoran-style foods, its popular Chajitas fajitas and other Tex-Mex offerings with bolder seasonings. "We're not looking to turn up the heat, but to round out the number of dishes in that taste profile," Drasher explains.

To a large extent, the movement to more provocative and more authentic flavors has been fostered by upscale, independent Mexican-food operators, including those in the trendy Southwestern-cuisine subset. El Torito's eclectic El Torito Grill concept has also inspired its share of imitators.

Operators are turning to grilled specialties and spicier, more complex entrées to boost sales and meet the growing popularity of ethnic cuisine.

Among the more influential of the independent "gourmet" Mexican and Southwestern operations are the trendsetting St. Estephe in Manhattan Beach, Calif., Coyote Cafe in Santa Fe, N.M., Frontera Grill in Chicago, Arizona 206 in New York, and Cafe Annie in Houston.

Susan Feniger and Mary Sue Milliken, the well-known chef-owners of City in Los Angeles, now step into the regional-Mexican spotlight with their opening of Border Grill in Santa Monica.

Like the upscale independents, multi-unit operators, too, are emphasizing more ambitious menus that feature less stereotypical Mexican dishes. San Francisco-based Chevys, a high-grossing chain of 16 restaurant-cantinas, has made a name for itself with its grilled prawns and broiled quail specialties. "We'll go to *cabrito* [baby goat] next," says owner Warren Simmons.

Pressure from larger chains can exert irresistible influences on the marketing strategies of competing chains. Mario Dovalina Jr. says Pepe's felt obliged to put shrimp fajitas and other trendy fare on its menus because those dishes became popular through the mass marketing of larger rivals.

"We don't expect [newer dishes like shrimp fajitas] to add up to a tremendous percentage of our sales, but the other chains do such a great job advertising those kinds of items," Dovalina says.

Similarly, after Chi-Chi's heavily promoted its taco salad with television advertising, Pepe's changed the name of its comparable item to "taco salad," Dovalina explains.

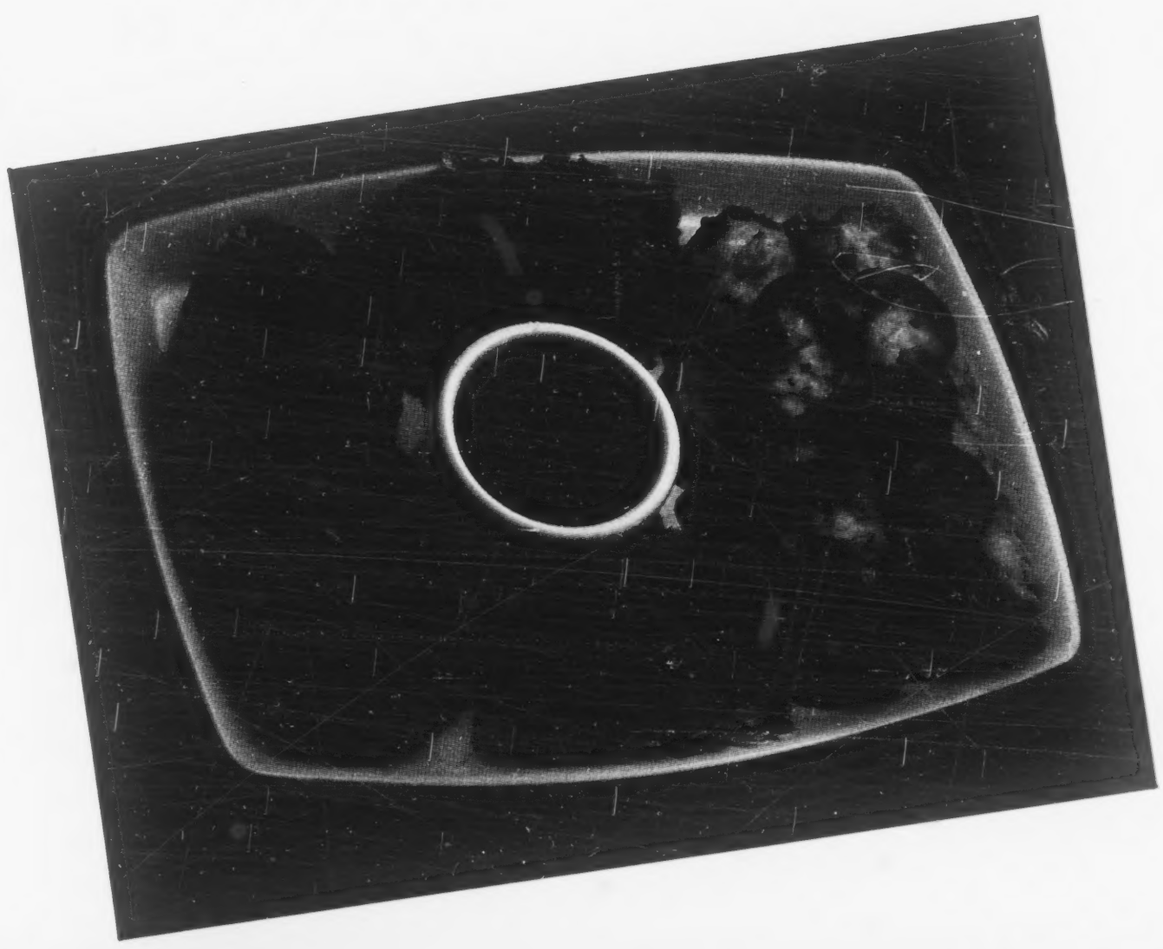
What next after fajitas fade?

Grilling and regional nuances are growing in importance as operators realize that no single menu item is likely to spark a sales boom quite like fajitas did in the last decade.

"If everyone is looking for the 'new' fajita, I think it's kind of like trying to catch the brass ring," says Rod Allen, marketing vice president for the 90-unit El Chico chain, based in Dallas. Rather than put all his faith in one recipe, Allen predicts that, in general, "fresh, grilled products" will be hot.

A growing number of operators are using grill-stripes and smoky tastes to

(See MEXICAN, page 36)



Mexican dinner houses are enticing diners with innovative, complex entrées such as Chi-Chi's Tex-Mex Combo, top, which offers a little of something for everyone. Above: El Torito has added non-meat alternatives such as Camarones Flores, Arroz Con Pollo and Mahi Mahi Bahia to the menu.

FOCUS

Mexican dinner houses discover there's life after tacos

(Continued from page 33)
please their patrons. Acapulco, the 41-unit California chain, has installed new broilers — called by their Spanish name, *parillas* — in all its restaurants over the last 18 months. Broiled items are featured on a section of the Acapulco menu.

The grilling trend has even been incorporated into new identities for old concepts. The trendy and upscale El Torito Grill, a four-unit spinoff operating in Southern California, is another exponent of Mexican-style flame cooking and regional recipes.

Freshness is also a lure used by savvy Mexican operations. "Our feature is freshness," say Chevys' Simmons. "Everything is made fresh every day and dumped out every night."

The New Orleans-based Cuco's chain also exemplifies the fresh-is-better philosophy and brings it right out into the dining room, with tableside preparations of guacamole.

Red Onion, a 14-unit chain in Southern California, has gone overtly regional in its quest to wet patrons' appetites. The chain introduces customers to its new menu by promising "the taste of real Mexico" and touting provincial recipes adapted from Yucatan, Veracruz, Sonora, Durango and Oaxaca.

So customers won't be intimated by such adventurism, table tents assure Red Onions patrons that the new, eclectic offerings have been "adjusted for California tastes and prepared with your good health in mind."

For health's sake: grains and fish

The appeal to diet-conscious patrons is one technique Mexican restaurants are using to help stimulate business in the face of still-sagging liquor sales and rising costs of produce and labor. More and more, lard is out and vegetable oil is in, as operators strive to become more customer-friendly and responsive to health concerns.

Indeed, health seems to be one of the segment's most popular new marketing opportunities. "Almost everything we're doing in that area is working," says Mike Casey, president of 179-unit El Torito.

Sparked by customers' interest in "healthy" Mexican food, El Torito has introduced whole wheat quesadillas, "light" sour cream, all-vegetable oil cooking, and substitutions of fresh fruit for rice and beans on some dishes.

Casey also reports the increasing popularity of seafood and a positive reception to El Torito's new mahi mahi entrée, which joins the ranks of such non-meat alternatives as shrimp, lobster and fish tacos.

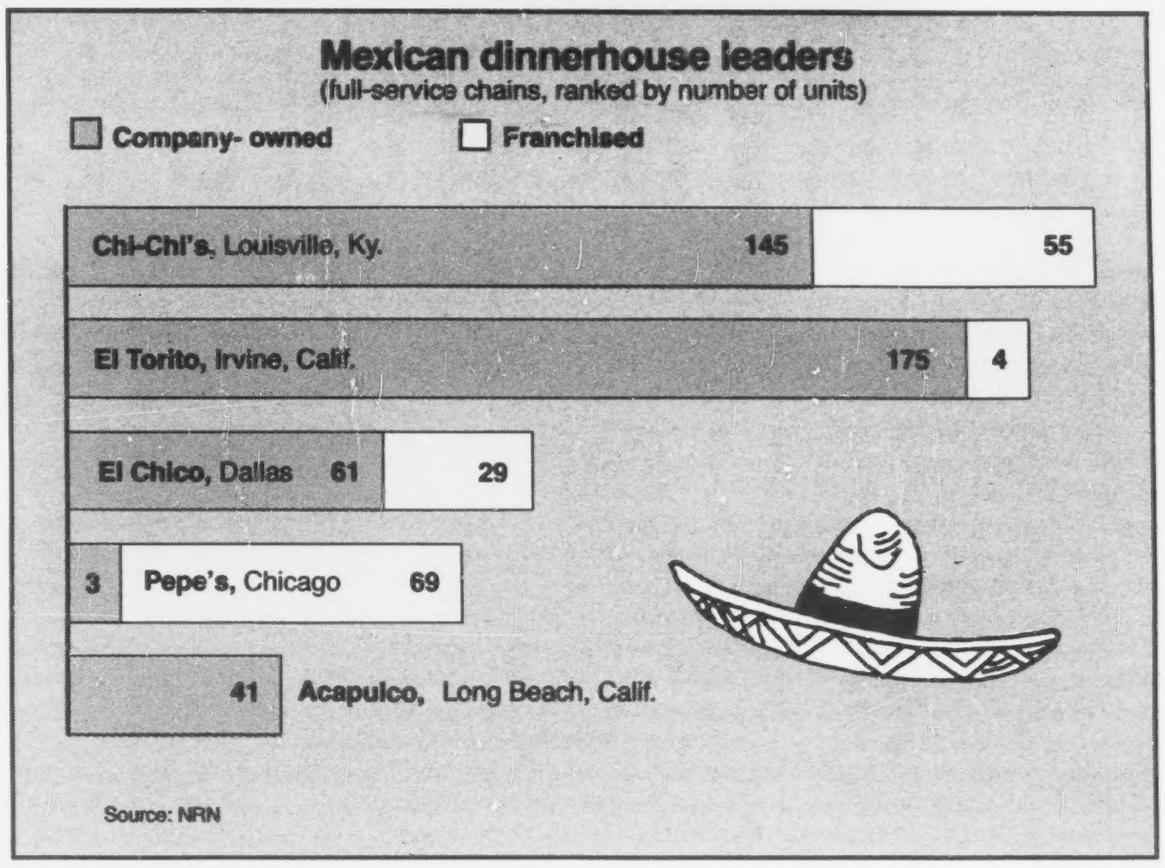
Red Onion, too, has switched to cholesterol-free canola oil while assuring customers that it cooks with no animal fats and has obtained the endorsement of the American Heart Association. The chain also offers whole wheat tortillas as an option to the white flour and corn varieties.

The new Beverly Hills branch of the nine-unit El Paso Cantina chain in Southern California serves only whole wheat tortillas, baked on a rotating exhibition griddle.

El Torito also features exhibition tortilla making, on a rotating stainless-steel *comal* disk. View-cooking and more intensive merchandising are coming into play as operators try to distinguish their concepts from the others in the Mexican food pack.

Chevys' tortilla-making machine, dubbed "El Machino," is a food-image asset, according to owner Simmons, who also calls the "Rube Goldberg"-type contraption "a wonderful baby-sitter" for guests waiting to be seated.

El Torito Grill's tortilla machine is admired by El Chico's Rod Allen, who calls it "nice packaging." However, Allen cautions Mexican dinner house operators not to rely on Mexican-regional menu novelties and mechanical bells and whistles. "I don't think that's any panacea," he says, noting that "you can only eat so many tortillas." Says Allen: "The big picture is, you've got to deliver great food and service."



A Taste of 6 Mexican Menus

Chi-Chi's — Tex-Mex steak or chicken breast El Paso (grilled, spice-basted, with peppered jack cheese enchiladas) ..... $8.45 (steak) $7.95 (chicken)

El Torito — Mahi-Mahi Bahia (grilled mahi-mahi with sautéed mushrooms, red chile butter sauce, rice, sweet corn cake, seasonal fruit) $6.95

Pepe's — *lengua en salsa* (sliced beef tongue in Spanish sauce with rice, beans $8.95

Acapulco — *carne asada e camarones* (*parilla*-broiled ribeye steak with garlic-sautéed shrimp, guacamole, rice) $13.45

Red Onion — Cancun combo (steak, cheese enchilada, refried black beans, rice, Yucatan cabbage) $8.95

Chevys — mesquite charcoal-broiled quail with pico de gallo sauce, guacamole, beans à la charra ..... (2) $10.25

Calif. operators regroup after wage hike

California-based operations such as El Torito, Acapulco and Red Onion say they are bouncing back from the state's 27 percent minimum-wage increase in July 1988.

"That was a body blow," says El Torito's Mike Casey, whose chain took a "significant" price increase in the third quarter of 1988 to adjust for the wage hike.

Compounded by California's prohibition of a tip credit, operators honed their merchandising skills and promoted higher-margin items, side orders and desserts.

Currently, El Torito is running a promotion for four $7.95 dinner combinations that come with "free" nachos appetizers and fried ice cream *R.M.*

Independents lead chains in share gains, unit growth

Independent Mexican dinner-house operators are showing signs of outpacing chain operators in market share gains and in unit growth.

"We primarily battle the local independents," many of whom are "very, very good operators," says Rod Allen, El Chico marketing vice president.

In addition to being worthy rivals, the independents "can react rather quickly to the marketplace — maybe spot a trend quickly and catch that wave," he adds.

However, Allen doesn't always reserve kind words for the nimble independents.

Lately, "There have been too many amateurs in the business and they consume a lot of seats," Allen says. However "we've certainly seen attrition in that field," he adds.

With the exception of the recently expanding Chi-Chi's system, "The full-service Mexican segment is not growing — at least not the major players," according to El Torito's Mike Casey.

The number of restaurants in the overall Mexican field grew 7 percent last year, to 16,900 outlets, according to the Recount Survey of Restaurant Consulting Group in Evanston, Ill. Although fast feeders in the segment accounted for much of that growth, independent operators are believed to have gained market share at the expense of their chain rivals.

Several factors may account for such a growth disparity.

According to Phillip Ratner, president of the Long Beach, Calif.-based Acapulco chain, independents often "enjoy slight pricing advantages" over chains because of lower occupancy costs the independents pay because of their less-rigid siting requirements.

Independents can also gain an edge in greater labor efficiency as a result of family involvement, Ratner says.

Smaller regional companies that don't adhere to rigid building-size criteria also enjoy the advantages Ratner ascribes to independents.

Seattle-based Azteca chain, for example, has 18 restaurants which vary widely in square footage and seating because of founder Pepe Ramos' strategy of converting other restaurateurs' flops into his successes. His strategy is aided by Azteca's localized operations and family management efficiencies.

To the increasing discomfort of bigger chains, independent operators can capitalize on their rent and labor-cost advantages as all Mexican restaurants are forced to raise menu prices in the face of rising food costs.

And, as analyst Nancy Kruse of Chicago-based Technomic points out, "The higher the check average goes, the greater the consumer resistance to spending that money in a chain environment."

According to Glenn Drasher of Chi-Chi's, the "financial handcuffs" on large companies operating under the burdens of leveraged-buyout debts proved to be powerful restraints on expansion in recent years.

The parent companies of El Torito and Acapulco are two such post-LBO operators.

But so is Foodmaker, the parent of Chi-Chi's, which has been able to expand modestly. The company envisions at least 20 new units this year, because of strategic planning that "accommodated [such growth], from a financial standpoint," Drasher says.

However, El Torito and Acapulco are also poised to accelerate their growth rates.

According to Mike Casey, 179-unit El Torito expects to post net gains of three to four units a year, after sustaining net declines in numbers of restaurants for the last two years. The growth should be aided by a recent easing of the companies debt burdens, he says.

Acapulco, too, will be operating with fewer debt-related constraints because of the recent buyout of the chain's parent, Restaurant Associates. The buyer, Kyotaru Co., intends to spend another $35 million on expansion. Tokyo-based Kyotaru was originally attracted to the buyout by Acapulco, but was only able to corner its quarry by acquiring the chain with its parent company.

Kyotaru is now expected to merge its other California-based chain, El Paso Cantina, with Acapulco, giving the combined system virtual parity with El Torito's 52-unit presence in the state.

"I do think they'll be more competitive," Casey said, referring to the Kyotaru-owned Acapulco concept.

Richard Martin

NEWS

NRA study: Consumers leaning toward healthier eating when dining out

by Paul Frumkin

WASHINGTON — The percentage of customers opting for nutritious items at restaurants gained four percentage points, to 39 percent, from 1986 to 1989, according to a new study by the National Restaurant Association.

At the same time the study revealed that the percentage of those who say they are unconcerned about eating healthful foods when dining out declined to 32 percent from 38 percent.

Such items as fresh fruit, chicken, lean meats and broiled and baked seafood ranked among the most frequently ordered restaurant dishes, the study found.

In presenting the findings to a gathering of food editors at the International Food Media '90 Conference here, NRA president Harris H. "Bud" Rusitzky declared, "This study suggests that restaurants should continue to add to the existing menu alternatives that conform with the dietary guidelines for good health.

"Clearly, consumers want to control their own diets according to their beliefs when eating out."

On the other hand, the NRA study also demonstrated that a strong minority — those people not particularly concerned with nutritional alternatives — still expect to find steak, regular soft drinks and rich desserts listed on the menus of their favorite restaurants.

Moreover, that group represents the largest share of the dining-out population, logging 39 percent of the total eating occasions.

"Their wants and needs will continue to be reflected in menu offerings," Rusitzky observed.

The NRA surveyed 799 adults around the country, asking such questions as whether they look for low-fat foods when they are eating out, whether they wish more restaurants offered dishes cooked without salt and whether they are less concerned about nutrition when they dine out on a special occasion.

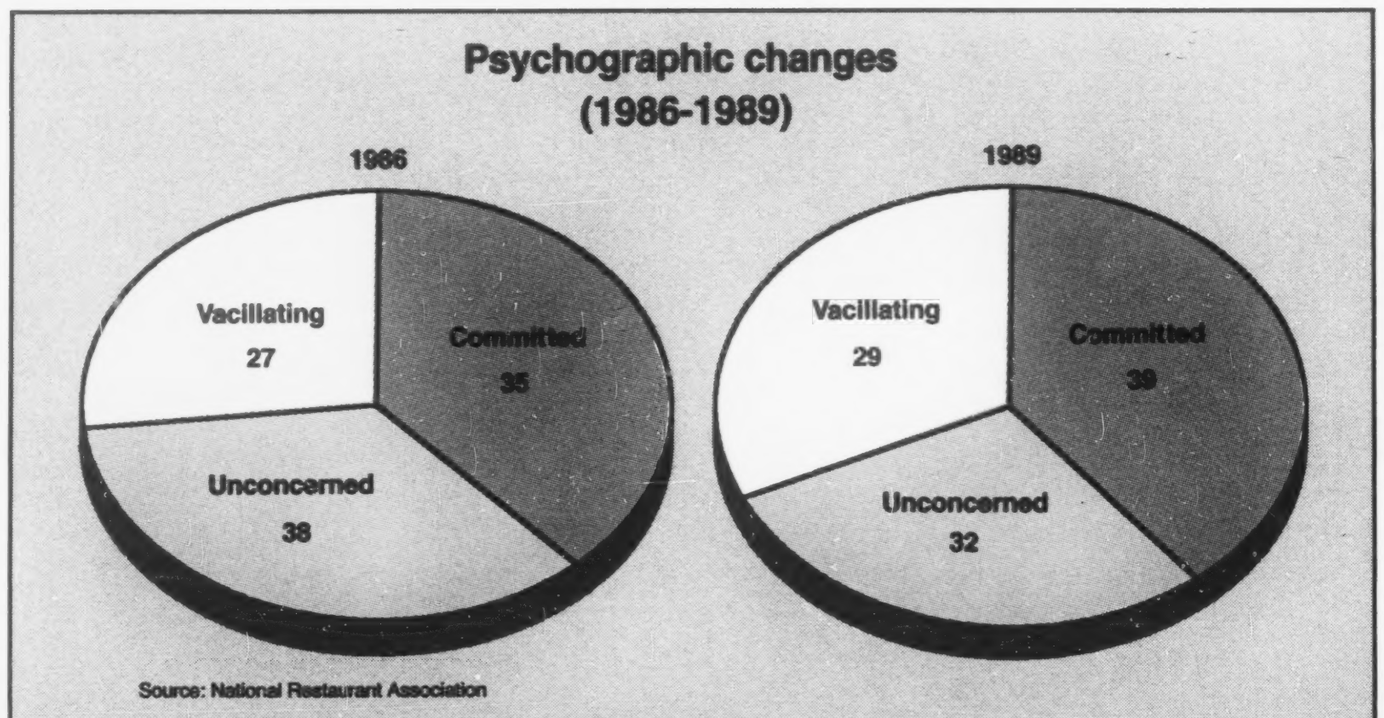
According to Rusitzky, the general population, as represented by the survey, can be broken down into three groups.

"First, there are the 'unconcerned,' who tend to describe themselves as 'meat and potato' eaters," he said, noting that this group eats whatever it wants. The people in this group are likely to be males, 18 to 24, single, average income earners and living in the Midwest.

The survey refers to the second group as "committed" — those consumers who are concerned with their diet when they dine out. They tend to be females, 35 to 54, college graduates, high income earners and living in the Northeast or on the West Coast. This group accounts for 32 percent of total eating occasions.

The third group is the "vacillators," those people who say they are concerned with health and nutrition but "are taste and occasion driven when it comes to eating out," Rusitzky explained.

People in this group are "slightly" more likely to be female and 65 and older. They will probably be widowed, separated or divorced; live in the Southeast or Southwest; and have an income less than $30,000. Their choices tend to be unpredictable in terms of nutrition; they will order across the board rich desserts, lean meats, food cooked without salt, steak and roast beef, regular soft drinks, and caffeine-free coffee. They account for the remaining 29 percent of total eating occasions, up from 27 percent in 1986.



More consumers fall into the "committed" category when it comes to nutrition than any other category. In addition, the number of people classified as "unconcerned" about nutrition is shrinking.

Favorite foods, 1989

	Unconcerned	Committed	Vacillating
1	Steak/roast beef	Broiled/baked seafood	*Lean meats
2	*Fried chicken	Fresh fruit	*Steak/roast beef
3	*Fried fish/seafood	Lean meats	Fresh fruit
4	*Fresh fruit	Poultry without skin	Broiled/baked seafood
5	Regular soft drink	*Steak/roast beef	Fried fish/seafood
6	Lean meats	*Whole grain muffins	Fried chicken
7	Broiled/baked seafood	*Reduced calorie salad dressing	Poultry without skin
8	*Premium ice cream	Raw vegetable appetizers	Regular soft drink
9	*Rich chocolate desserts	Low-fat frozen yogurt	Whole grain muffins
10	Poultry without skin	Diet soft drink	Premium ice cream

* Tied

Source: National Restaurant Association

Fast feeders answer demand by leaving out the fat

WASHINGTON — Fast-food operators are responding to growing nutritional concerns among their patrons by replacing highly saturated animal fats used for frying with vegetable fats, according to a study conducted by the National Restaurant Association.

At the same time, the study shows that many chains are also increasing the number of low-fat items on the menus.

In a survey of fast-food chains with 350 or more units, 62 percent of the respondents reported they were now frying exclusively with vegetable oil or vegetable shortening. Nineteen percent said they use a blend of animal fat and vegetable shortening, while 15 percent use a blend of animal and vegetable fats, as well as vegetable oil or shortening.

Type of fat used for frying in chain operations
(In percentages)

All vegetable shortening	38
All vegetable oil	19
Animal/vegetable (A/V) shortening blend	19
Two types	
A/V shortening and vegetable oil	10
A/V shortening and vegetable shortening	5
Vegetable shortening and vegetable oil	5
All three types approved	5

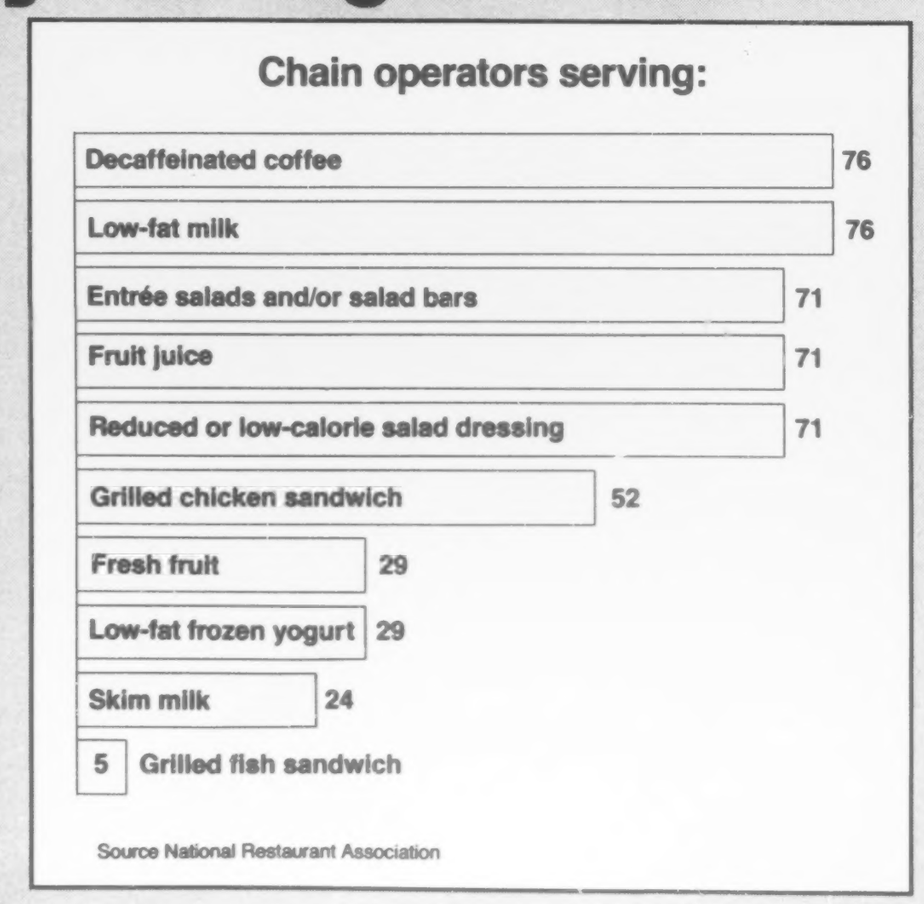
Source: National Restaurant Association

"When you realize that the percentage who report they are using vegetable fats represents tens of thousands of units, the figure is significant," said NRA president Harris "Bud" Rusitzky.

Survey respondents represented about 39,000 units, 90 percent of which were fast-food units.

The survey also found that the majority of respondents now offer grilled chicken sandwiches, entrée salad or salad bars, reduced or low-calorie salad dressing, low-fat milk, fruit juice and decaffeinated coffee.

Fewer chains offer fresh fruit, frozen yogurt and skim milk. *PF*



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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 17 | Published every Monday by Lebhar-Friedman Inc. $3 per issue | April 23, 1990

SEATTLE BOOM

Population rise, Goodwill Games spark restaurant openings

by Alan Liddle

SEATTLE — Encouraged by the influx of new residents and projections that this summer's Goodwill Games could bolster the state economy with more than $300 million, veteran operators and neophytes alike are scrambling to open new dining spots in Seattle and other nearby Puget Sound communities.

"Downtown Seattle had been dead for a long time, but now there is a lot more things for people to do," said Consolidated Restaurants president Ron Cohn, whose company is undertaking its first major project in Seattle since 1984, when it extensively remodeled Elliott's at Pier 56.

"It's a robust economy with a lot of growth, and the market continues to become more urban, sophisticated and appreciative of high quality," Rick Giboney, director of marketing at Restaurants Unlimited Inc., said, explaining why his Seattle-based company is once again expanding in its own backyard.

Before last fall's opening of Palomino, a "Euro-Seattle Bistro," RUI, which operates 20 full-service restaurants in several states, hadn't opened a local restaurant in seven years. With Palomino barely open, the company recently opened a new self-service soup-salad-pasta-baked-goods concept called Zoopa and expects to unveil Zodeo, a moderate-priced full-service restaurant, by year's end.

(See SEATTLE, page 7)

NRN Photo

Cathi Lindstrom, Zoopa division director of operations for Restaurants Unlimited, shows off the tray rack.

Operators declare war on no-shows

by Jack Hayes

Touched by the cries of fellow restaurateurs who continue booking reservations despite a national no-show epidemic, fine-dining operators from coast to coast say the only way to fight this tide of disloyalty is to charge patrons for the tables they leave empty.

Otherwise, insisted operators responding to a recent Nation's Restaurant News report that quoted restaurateurs from New York to Los Angeles on the worsening no-show issue, the only other recourse is to deliberately overbook or quit taking reservations entirely.

In fact, of the scores of people who called Nation's Restaurant News' toll-free Hot Line during the past several weeks to talk about the no-show problem, more than half claimed they are no longer booking reservations — precisely to avoid the hassle.

"I take no reservations under any circumstances," said Tom McClanahan, proprietor of El Coyote Cafe, a bistro in the Cincinnati market.

Yet McClanahan urges his peers who still take reservations to get credit-card numbers and make patrons pay when they fail to honor reservations.

Nevertheless, in neighborhoods where competition is vicious, many operators aren't so confident. And in the very upscale segment, patrons demand reserved tables even though they may not show up at all, operators say.

"I've got a full-time secretary calling all day to confirm reservations, yet at 6 p.m. the customer wants to go elsewhere," argued Tom Klauber,

(See NO-SHOWS, page 57)

Operators to no-shows:

If you don't call us, we'll call you

See page 42

Burger chains perk up menus with new breakfast offerings

by Bob Seligman

Stung by a decline in breakfast traffic, many leading burger chains are juicing up their morning menus with new products.

McDonald's has rolled out three new breakfast offerings, including cold cereal and an apple bran muffin. Burger King is testing mini-muffins. Wendy's is trying out a bacon, egg and cheese biscuit sandwich in Chicago.

White Castle's first chain-wide breakfast promotion is touting its sausage, egg and cheese sandwich. Carl's Jr. is testing a value-oriented breakfast menu and a breakfast burrito.

And in recent weeks Jack in the Box promoted its scrambled egg pita sandwich, which has Cheddar cheese, bacon and ham, and Hardee's added pancakes as an optional item.

Doreen Zavada, vice president and general manager for NPD CREST, a Chicago-based company that tracks the foodservice industry, said that breakfast customer traffic for the burger chains was down in 1989 by 2.9 percent from the prior year's level. In the three previous years, breakfast traffic growth gradually declined from 2.6 percent to 1.5 percent.

(See BURGER, page 56)

Wyatt tests small concepts

by Tracey Taylor Woodard

DALLAS — Seeking expansion vehicles for a saturated cafeteria market, Wyatt Cafeterias Inc. has opened a new food court concept in a mall here.

Wyatt's Express opened at the Irving Mall last month, serving salads, fresh vegetables and six varieties of chicken-fried steak.

The cafeterias "are cannibalizing themselves," said George DeShazo, president of 121-unit Wyatt. "I still think there is a tremendous market for cafeterias, but to build many more, we're going to have to get into virgin territory."

Meanwhile, Wyatt's is developing another downsized

(See WYATT, page 4)

WYATT CONCEPTS (A comparison)

Wyatt Cafeterias
Seats: 280
Square footage: 10,700
Average check: $4.80
Units: 121

Wyatt Express
Seats: None
Square footage: 517
Average check: $3.25
Units: 1

Mrs. Wyatt's
Seats: 85
Square footage: 3,500
Average check: not available
Units: 0 (two leases signed)

Source: NRN

INSIDE

Exec cutbacks: No easy answer
Charles Bernstein/Page 23

Sky's the limit at Newark airport
Focus/Page 27

Industry pros meet, eat at IACP
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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 17 April 23, 1990

NEWS BRIEFS

Food costs ease; industry sales slow

WASHINGTON — Foodservice operators got a break in March, when wholesale food costs eased after two consecutive months on the rise, but sales at eating and drinking places softened during the same time frame, the Department of Commerce reported.

In the department's monthly producer price index, wholesale food costs rose 4.9 percent in March — on a year-to-year unadjusted basis — offering some relief from the 6.1- and 5.9-percent year-to-year increases notched in February and January, respectively.

Sales at eating and drinking places rose 5.6 percent in March on an unadjusted annual basis, a rate slower than February's 6.5-percent uptick.

The higher wholesale food prices in January and February reflected the cost of damaged crops during the late December cold wave in the South. Between February and March, however, wholesale food costs dropped less than 1 percent.

Southland sells 56 7-Elevens, settles discrimination suit

DALLAS — The beleaguered Southland Corp. has agreed to sell 56 7-Eleven convenience stores in the Memphis, Tenn., market to Mapco Petroleum Inc. — a Tulsa, Okla., service station chain — for an undisclosed amount.

In an unrelated matter, two federal arbitration cases — one finding Southland guilty; the other, not guilty — resulted in the company's paying a $700,000 fine to settle a racial discrimination case brought by some black franchisees, who alleged their expansion plans in some Los Angeles neighborhoods were restricted by the company.

Under terms applied by Southland's lenders, net proceeds from the sale to Mapco will be applied to the company's long-term debt.

Southland, which lost more than $1 billion in its fourth quarter and is burdened with more than $1.8 billion in debt as a result of its 1987 leveraged buyout, said that if its lenders and bondholders do not approve a complex restructuring plan, it may be forced to file for bankruptcy.

Romano to launch Tex-Mex concept

NEW YORK — Philip Romano, creator of Fuddruckers and Romano's Macaroni Grill, is planning to launch a Tex-Mex fast-food chain called Texas Tortilla Bakery here this summer.

The concept, four units of which are planned, will offer such dishes as fajitas, soft tacos made with flour tortillas, burritos and refried beans. The concept will sport a "rural" look and feature a display of fresh chilies, fruit, vegetables and other products.

Earlier this year Texas Tortilla Bakery — of which Romano owns 20 percent — purchased Peso's Inc., the operator of four Mexican fast-food units in Manhattan. Texas Tortilla president Arthur C. Powers said those units will be converted to Texas Tortillas.

Teens charged in murder of Domino's manager

LARGO, Md. — Two boys, described as model teen-agers and good students in this middle-class Washington suburb, have been charged as adults in the robbery and murder of a 25-year-old Domino's Pizza store manager, who had been lured to an abandoned home and then shot to death.

Prince George's County police said the boys — 16 and 17 years old — were charged with first-degree murder in the shooting of Carl Krogmann, a Domino's store manager who was delivering pizza April 7.

Police said Krogmann had taken an order to a vacant but well-kept home during his Saturday night shift. Sensing something was wrong when he knocked at the front door, Krogmann walked back to the car and gave his girlfriend most of the cash he was carrying and returned to the house.

On the return, Krogmann was shot once in the chest. He ran to the car but collapsed before he could get away.

Feds warn of hepatitis risk

ATLANTA — Federal health officials have issued a warning against the consumption of raw shellfish and urged restaurant workers to wear gloves to help fight an upsurge in hepatitis A cases.

The Centers for Disease Control said the feces-transmitted liver disease, a viral infection that causes severe, flulike symptoms, has increased 58 percent over six years, with 7.3 percent of the cases linked to food-handling or raw shellfish.

Restaurant personnel can lessen the risks of infecting themselves and others by wearing gloves, said the CDC, which urged that all shellfish suspected of coming from contaminated waters be cooked.

Quik Wok explores buffet, delivery and supermarkets

IRVING, Texas — Quik Wok, the 12-unit Chinese chain, is testing buffet and delivery service and is eyeing supermarket locations.

In addition, the chain has inked its first franchise agreement with Dallas operator Scott Sheu, owner of three full-service Chinese restaurants and the three-unit Egg Roll U.S.A. chain. Sheu, who plans to open 16 Metroplex units within five years, took over a company Quik Wok in Lewisville, Texas, and added a 20-item, all-you-can-eat buffet.

Encouraged by the success of Sheu's buffet, the company is testing buffet variations in two San Antonio stores and may add it to future stores.

Meanwhile, the former Pillsbury chain is testing delivery from a San Antonio restaurant and is considering teaming with supermarkets to open in-store units.

McD warns papers not to rerun ad

OAK BROOK, Ill. — McDonald's legal counselor has warned several newspapers that rerunning an advertisement criticizing the chain's food would be "considered malicious."

The correspondence asserted that the ad would cause McDonald's "injury" but did not explicitly threaten legal action.

The ad, headlined "The Poisoning of America," claimed that McDonald's precooked hamburger meat had a fat content of 21.5 percent. McDonald's said the allegation was incorrect and countered that the fat content is 17 percent to 19.5 percent.

"Instead of addressing the real issues: one, why they use beef tallow in cooking their french fries, and two, why they do not reduce the fat content of their hamburgers, McDonald's has chosen to try to intimidate the nation's leading newspapers," stated Phil Sokolof, the Omaha, Neb., businessman who placed the ad in several major newspapers.

Karcher to sell Ariz. Carl's Jr.'s

ANAHEIM, Calif. — Carl Karcher Enterprises Inc. said it wants to sell or franchise its 40 company Carl's Jr. units in Arizona, blaming the Arizona market for one of the company's worst quarterly performances.

In its fourth quarter ended Jan. 29, Karcher lost $8.9 million on revenues of $116 million. The company attributed the shortfall to the $5 million it loses annually by maintaining a chain presence in Arizona. Karcher Enterprises said it is holding $14.5 million in reserve to cover its exit from Arizona.

Marriott forays into hospital linens

WASHINGTON — In another expedition into a new field, Marriott Corp., the hospitality giant based here, has teamed up with a textile concern to distribute recyclable, sterile surgical linens to health-care facilities.

Marriott's giant contract feeding division, Food & Services Management, deals with a number of hospitals and medical centers. The new joint venture, called Repak Surgical Co., is striving to supply many of the same establishments.

Last year the company made a similar move by buying an office-cleaning service. The new business was acquired to serve as a complement to Marriott's extensive business-and-industry feeding operations.

FINANCIAL NEWS

Marriott to open Dunkin' units in clients' food operations

by Bill Carlino

WASHINGTON — Marriott Food and Services Management, the non-commercial feeding arm of Marriott Corp., has agreed to open freestanding, franchised kiosks of the 1,800-unit Dunkin' Donuts chain within clients' feeding operations.

In addition, Marriott has created a new division that will manage golf-course facilities, including the feeding operations.

The Dunkin' outlets, which are slated for Marriott's college, business and industry, and health-care clients, will resemble self-service display cases, where customers select items and pay at a "common" register in the foodservice facility.

"We expect the first units to be in place sometime in June," said Pat McDermott, Marriott's vice president of branding and special projects. "The first Dunkin' franchises will be rolled out in the Boston and Washington, D.C., markets."

The contract with Dunkin' Donuts marks the second franchise agreement with a national fast-food chain for the company's Food and Services Management Division.

Last year Marriott teamed with the Wichita, Kan.-based Pizza Hut and now has subsequently rolled out more than 100 Pizza Hut Express kiosks in its college and business-and-industry accounts.

Currently, the hospitality conglomerate has several franchises of Dunkin' Donuts in its Travel Plazas Division.

"Marriott is continually looking to franchise fast-food concepts," said McDermott, who declined to say whether the Food and Services Division was now in negotiations to secure additional brands.

The new golf division, titled Marriott Golf, will market its services to developers of freestanding, public or private courses or any commercial or resort development.

"This is a business approach to golf," said Roger Maxwell, vice president of golf operations and development. Maxwell will head Marriott Golf. "We're [Marriott] already the largest operator of resort golf in the United States."

Among the services offered by Marriott Golf are course and pro shop management, agronomic supervision, food and beverage management, marketing and accounting.

Marriott owns and operates 440 holes of golf in 16 locations both domestically and in Bermuda. Maxwell added that Marriott plans to open two additional courses this year — at the company's Wind Watch resort in Happauge, N.Y., and outside a Marriott property in San Marco Island, Fla.

> "Marriott is continually looking to franchise fast-food concepts."

Southland expects losses until '93

by Milford Prewitt

DALLAS — Even if Southland Corp. successfully restructures its $1.8 billion in debt, it does not expect to make a profit until 1993, according to documents filed with the Securities and Exchange Commission.

In a preliminary prospectus outlining its elaborate plan to exchange its publicly traded debt for new debt, the 7-Eleven operator projected net losses of $156 million in 1990, $61 million in 1991 and $9 million in 1992 before turning a profit of $38 million in 1993.

The prospectus assumes that the company will complete its complex bond exchange program while simultaneously maintaining capital and advertising expenditures.

For the year ended 1989, the McDonald's of the convenience store industry — operating 3,500 7-Eleven stores of 7,000 — lost $1.3 billion. In forecasts in the filing document Southland also expects to sustain negative cash flow between 1991 and 1993, turning to break-even levels between 1994 and 1997.

For 1990 cash flow is expected to be positive, largely because the company is selling off units and because its stake in Citgo Petroleum was sold earlier this year.

FOOD PRICE OUTLOOK

Alaska predicts lower salmon catch

by Patt Patterson

Alaska is projecting a **salmon** catch lower than last year's but higher than those of the two previous years. The drop will affect mostly canned salmon prices. The fresh salmon market is being swiftly taken over by farmed fish from the Pacific Northwest, South America and Europe.

Supplies of imported **cod** are improving, with prices lower than they were the last quarter of 1989. However, inventories are not considered sufficient for preventing a seasonal run-up in summer, when demand increases and catches drop off. **Haddock** and Atlantic **pollock**, particularly from Canada, are in tight supply. Alaska (Pacific) pollock are gaining popularity with many operators, since supplies are good and prices not so high as for the Atlantic version.

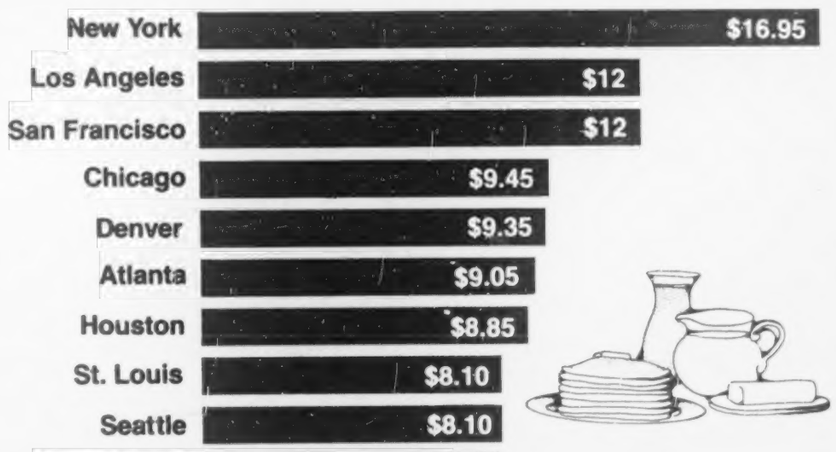
Don't forget **cheese** prices are expected to surge again this summer. The commercial **milk** supply doesn't look all that good yet. **Butter**, on the other hand, is riding well under last year's prices, although demand is up. Stocks are strong, although production has increased at only one-fifth the rate of demand.

Lettuce supplies for the late spring and early summer seem good, with Salinas Valley planting, and cultivation in full swing. **Broccoli** prices have been below production costs. **Cauliflower** prices are lower on weaker demand.

FACT FILE

On the road again

Average cost of a full American breakfast at hotels frequented by business travelers, including tax and tip, based on prices at several hotels in each city between July 1989 and January 1990.



Source: Runzheimer International

FINANCIAL DIGEST

Marcus posts increase in net income

MILWAUKEE — Higher occupancy rates in its Budgetel Inns division and higher traffic at its movie theaters led to a 50-percent increase in third-quarter net income for the Marcus Corp., a diversified hospitality, entertainment and restaurant company.

The company reported a $919,000 profit on revenues of $38.5 million, a 4-percent increase, for the period ended Feb. 1.

For the 36 weeks Marcus Corp. made $7.5 million profit on revenues of $123.1 million.

The company, which operates 77 restaurants, including Kentucky Fried Chicken, Big Boy, Captain's Steak Joint and a single Pancho O'Mally's unit, does not separately report divisional income.

Marcus Corp. said it closed 17 restaurants during the quarter in preparation for the development of its new Applebee's franchise.

Besides the restaurants, Marcus Corp. operates 151 movie screens, 74 Budgetel Inns, the Pfister, Marc Plaza and Sheraton Mayfair hotels in Milwaukee. All of the company's operations are based in the Midwest.

Applebee's pulls in 4th-Q profit

KANSAS CITY, Mo. — Applebee's International overcame a year-ago loss to make a profit of $457,793 on revenues of $8.5 million, a 20-percent increase, for its fourth quarter ended Dec. 31.

For its annual performance, the company lost $47,000 on revenues of $29.8 million, a 23-percent increase over the 1988 results. In 1988 the company lost $877,000, largely as a result of management's buyout of the onetime W.R. Grace subsidiary.

The company operates 18 of the 113 units in the chain.

Pizza Enterprises buys into Noble Roman's

INDIANAPOLIS — Pizza Enterprises of Indiana Inc. said it has acquired 331,389 shares or 17 percent of Noble Roman's Pizza, a large regional pizza chain operator with about 96 units.

The shares were purchased between June 6 and Dec. 31 for $4.75 to $8 apiece.

Pizza Enterprises had been a nine-unit franchisee of Noble Roman's before selling the restaurants back to the franchisor before the share acquisition.

Pizza Enterprises said it purchased the stock for investment purposes and is currently no longer a restaurant operator.

Noble Roman operates approximately 30 units of the 96-unit chain in five Southern and Midwestern states.

Valhi to buy remainder of Sybra Inc.

DALLAS — In an exchange of parent company stock for its subsidiary's stock, Valhi Inc. will acquire the 3 percent of Sybra Inc. it does not own and take the Atlanta-based Arby's franchisee private.

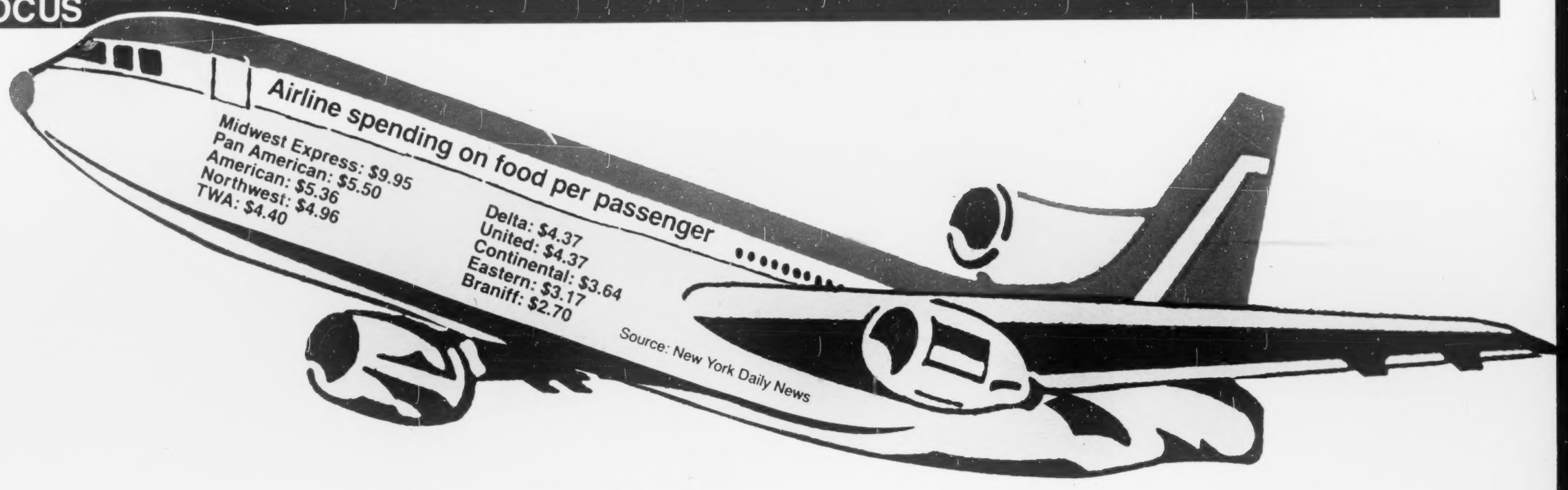
Sybra currently operates 152 Arby's units.

In the stock exchange Valhi will offer 1.6 Valhi shares for each of the 79,292 outstanding shares of Sybra stock, completing a cash offer made a year ago when all but the 3 percent came in.

The transaction gives liquidity to Sybra's 50 remaining shareholders, who are mostly employees, and permits the company to discontinue public reporting, said Sybra president Charles Hyslop.

Valhi Inc. is a holding company for Dallas investor Harold Simmons. His brother Glenn Simmons, a Valhi Inc. vice chairman, became chairman of Sybra a year ago when Hugh Shurtleff retired.

FOCUS



Midwest Express soars with gourmet cuisine

MILWAUKEE — Maine Lobster, French wine and freshly baked chocolate-chip cookies at 30,000 feet?

That's what patrons are served when they fly Midwest Express, a small carrier, based here, that has shattered the myth of bad airline food with its gourmet approach to passenger feeding.

The 6-year-old airline, a wholly owned subsidiary of Kimberly-Clark, spends an average of $9.95 per passenger per meal, about twice the average for other domestic airlines, yet ticket prices stay competitive.

"People love it," says John Ferrer, dining services manager at Midwest Express. "We give them a reasonable meal, and that's another incentive for flying with us."

Midwest Express serves a combination of hot and cold items on one plate, such as a filet mignon with a cold half-lobster, chilled breast of pheasant with hot onion soup, a hot seafood Creole with a chilled beef Wellington or a chilled stuffed breast of turkey served with hot Georgia peaches.

Meals are served on china and come with cloth napkins and non-plastic utensils.

Lobster is served in eight out of the 37 menu cycles and is featured in such dishes as chilled lobster medallions, lobster thermador and lobster salad Parisienne.

"We feel that many business passengers get the chance to have only one meal a day," says Ferrer, "and we like to make sure that the meal is a substantial — as well as an unusual — one." Ferrer notes that 75 percent of Midwest customers are business travelers.

To accompany the first-class meals, the airline serves complimentary French wines during lunch and dinner and Champagne during breakfast flights.

A typical breakfast features chilled Champagne, Florida orange or grapefruit juice, sliced fresh fruit, eggs Benedict or a spinach soufflé omelet and potatoes au gratin, a cranberry muffin, coffee, tea or milk.

Ferrer goes on to say that the menu planning, which Midwest works out with contract feeder Sky Chefs, is skewered toward the unusual. "We like to give our passengers an opportunity to try something new," Ferrer explains, "foods that they are unfamiliar with.

Out-of-the ordinary dishes include oyster friccasée; cocotte, a French casserole dish that is filled with Hungarian goulash; veal zucchoisse; buttered spätzle; mousse au chocolat; linzer tortes; and Baumkuchen, a chocolate German cake, translated as "tree cake," baked in layers to resemble the rings of a tree trunk, iced with barklike chocolate.

One of the unique items is chocolate-chip cookies, which flight attendants bake en route from preformed dough in the airplane's high-heat convection ovens. Passengers can even have a glass of milk with their cookies.

In conjunction with an annual ethnic festival in Milwaukee, the airline offers a series of ethnic meals, including Irish, Italian, African, American Indian, Mexican, German and Polish dishes.

> Meals are served on china and come with cloth napkins and non-plastic utensils.

"Sometimes we get first-time flyers, who think it's a joke when the flight attendant tells them what's on the menu," Ferrer notes. "They just can't believe it."

Kimberly Clark, makers of Huggies diapers and Kleenex, spun off its KC Aviation division 21 years ago, which refurbished and maintained other companies' aircrafts. After the government deregulated airlines in 1978, Kimberly formed Midwest Express and decided to cater to the business traveler.

All service is first class, seats are 6 inches wider than those of most other airlines and there is no middle seat. The commercial airline, which services half of its customers out of Milwaukee, flies to 18 cities. *P.O.K.*

AIRLINE TERMINAL FOOD PRICES

	Hamburger Platter	Hot Dog	16 oz. Soda	Häagen Dazs Cone (1 scoop)	Hot Apple Pie
Host Intl. (JFK, LaGuardia, Newark A&B)	$4.95	$2.25	$0.99	$1.25	$1.25
Concession Air (Terminal C, Newark)	3.30	1.85	0.90	1.65	0.95
Miami	4.20	2.60	1.19	1.35	1.57
O'Hare	3.50	2.30	1.00	1.25	1.25
Houston	3.65	2.00	1.10	N.A.	1.35
Logan	5.95	2.00	0.79	1.35	2.25
Los Angeles	4.65	2.45	1.20	1.40	1.85
Dallas/Ft. Worth	4.40	2.65	1.25	3.99	1.60

Source: New York Daily News

Concession Air puts no limits on foodcourt

(Continued from page 27)

gional vice president for Concession Air. "We offer variety. We have a local concept, a health-oriented one and the best pizza and hamburgers."

The company proposed the entire package to Continental, went out and recruited developers and then brought other concepts in as subtenants.

When Concession Air bid for the contract, a clause stressed that women, locals and minorities be included in the overall scheme of things. Ruth Ann Menutis, runs The Grove, and minorities operate the Wok n' Roll, Everything Yogurt and McDonald's concepts.

Concession Air wanted to include a local business operator in the package, and since diners are popular in the area, they pitched the idea to local diner operator Steve Nicoles. "I was very excited when I saw the plans," explains Nicoles, who owns another diner in Clifton, N.J.

"People love it," Nicoles says. "We get compliments every day from people, especially at breakfast." The '50s-style diner is the only diner in a U.S. airport.

The diner is a subtenant to Concession Air and rents out the space from it. McDonald's, Everything Yogurt, the Grove and Famous Amos also own and run their operations and pay rent and overhead fees to Concession Air.

Concession Air is a franchisee of the Nathan's, Sbarro, Au Bon Pain and Häagen Dazs concepts. It also owns the Concession Air-brand deli and the foodservice in the eight cocktail lounges.

With so many operations, prices stay competitive. "Consumers are becoming better overall shoppers dollarwise, qualitywise and healthwise," Boudreau says. "They are still willing to spend if you provide them with more than they expect — one or two choices won't do it any more."

According to a poll by the New York Daily News, Terminal C sells the cheapest hot dog, hamburger platter and slice of hot apple pie compared with eight of the major airports in the country.

The food concepts are set up near a bank of 20 to 30 gates, where a bulk of the international wide-body flights take off and land. Retail shops and a few bars sit at concourse ends, while most of the food concepts are positioned in a food court at the center of the terminal.

"The international travelers usually get to the airport significantly earlier so they don't miss their flight," Boudreau notes. "Your average person is here 30 minutes ahead of time."

Boudreau reports that there is hardly ever a long wait. McDonald's, which is the biggest retailer, has 12 registers, Nathan's has five and Sbarro has four. "Time is the biggest element; that's why fast food fits right in," Papazoglou explains.

The Terminal C operation opened in May 1988, with carts parked outside of the prospective sights since construction was not finished yet. The place was fully operational in May 1989.

Although Boudreau would not disclose overall revenues, he did say sales exceeded initial projections and increased 15 percent compared with those of last year.

Concession Air is looking forward to a profitable 1990 at Terminal C. "We anticipate growth because Continental is growing," Boudreau remarks.

Labor doesn't seem to be that much of a problem. "A lot of people like to be associated with an airport," Boudreau concludes. "There's an excitement about people going on vacation that rubs off on the employees."

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 18 | Published every Monday by Lebhar-Friedman Inc. $3 per issue | April 30, 1990

NRN Photo

Veni Vidi Vici executive chef Joey Venezia, left, stands outside with Marcella Hazan, owner of the 22-seat Atlanta restaurant.

Hazan seeks to conquer midtown Atlanta with new Veni Vidi Vici

by Jack Hayes

ATLANTA — Italian culinary expert Marcella Hazan has put her money and recipes into a 200-seat restaurant showcasing the authentic flavors and home-style dining customs of Italy.

Veni Vidi Vici, which is Latin for "I came, I saw, I conquered," the famous words of Julius Caesar, opens this week on 14th Street, bringing the Italian food of Venice, Portofino and Bologna to Atlanta's booming midtown.

Renowned cookbook author Hazan, together with her wine expert husband, Victor, is both a consultant to and an investor in the operation. Other investors include Janet Colgin, formerly operations director of Dakota's Restaurants Inc. in Dallas; Toronto-based Nestlé Enterprises Ltd. chair-

(See VENI, page 58)

Calif. restaurant boom: Enough is enough!

Operators fight to stay alive in oversaturated market

by Richard Martin

LOS ANGELES — Among California restaurateurs the term "saturation" conjures up a much different image from one of tide-washed shores or the fog-drenched Golden Gate.

According to analysts and operators, California has grown increasingly saturated with dining-out options, and restaurateurs swamped by competition are becoming as frustrated as motorists trapped on a log-jammed freeway.

Simply put, the state's booming population isn't expanding fast enough to sustain sales and profit growth rates for many restaurants caught in a tangled thicket of rival operations.

Restaurateurs report that the bogged conditions are being aggravated by ongoing declines in high-margin liquor sales and by higher labor costs that stemmed from the state's 27-percent hike in the minimum wage in 1988.

As a result, bottom-line

Michael McCarty

Thomas L. Gregory

pressures are mounting at establishments vying in the glutted and sluggish marketplace. The squeeze is on at the typical operation, even though statewide growth in aggregate foodservice sales and profits has markedly outpaced the national average.

The National Restaurant Association predicts that inflation-adjusted sales for California's $27 billion industry will grow 1.8 percent in 1990, a hair's breadth ahead of the national figure but down from the state's estimated 2.9-percent real gain last year.

"Things are soft and stag-

(See CALIFORNIA, page 59)

INSIDE

Fast food can stand tall
Charles Bernstein/Page 31

Supermarkets vs. restaurants
Focus/Page 37

NRA urges FICA tip tax repeal
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EARTH DAY FALLOUT

Litter control permits would tax New York City operators

by Paul Frumkin

NEW YORK — New York City foodservice operators offering take-out could find themselves facing additional expenses and red tape if a recently introduced City Council tax plan passes through the State Legislature in Albany.

In an effort to close New York City's gaping $2 billion budget gap, the City Council has proposed a number of new taxes, one of which would require all local restaurateurs and retail operators offering take-out service to purchase litter control permits.

The proposal was patterned after a similar bill passed into law last year in Rhode Island. But that law, which took effect Jan. 1, requires that all restaurateurs

(See LITTER, page 58)

Market for recycled foam could form within a year
See page 42

Burger King tests composting
See page 44

McDonald's battles critics with $160M recycling plan

by Peter Romeo

OAK BROOK, Ill. — In a sharp rebuke to critics who have condemned McDonald's as an environmental villain, the foodservice giant has vowed to stimulate recycling by spending $160 million this year on building materials and paper goods made from reclaimed refuse.

The nation's largest restaurant chain also disclosed that it is already charting the nationwide expansion of a pilot polystyrene recycling program in New England. The system requires customers to sort their trash when they bus their trays.

The plans to foster recycling were divulged as the nation was preparing for Earth Day, a nationwide celebration

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 18 April 30, 1990

NEWS BRIEFS

Menu inflation hits six-month high

WASHINGTON — Menu inflation rose to a six-month high in March but continued a two-year trend of lagging behind the rate of increase for grocery prices, the Bureau of Labor Statistics reported in its monthly consumer price index.

Food away from home costs, a broad gauge of U.S. menu prices, rose 4.9 percent in March, while food at home, or grocery-store prices, rose 7.5 percent in unadjusted, year-to-year comparisons.

Menu prices rose three-tenths of a percent faster than in February, when a 4.6-percent year-to-year increase was clocked.

But on supermarket shelves, annualized inflation dropped from 8.3 percent and 8.1 percent in February and January, respectively. The change is primarily due to produce prices, which stabilized somewhat after two months of big increases spurred by the December cold wave, which destroyed Southern crops.

From February to March, food away from home rose 1 percent, while grocery store prices receded two-tenths of a percent, the bureau reported.

Sizzler slaps Chicago franchisee with countersuit

CHICAGO — Sizzler Restaurants has asked the federal district court to kick the chain's third-largest franchisee out of the system in a lawsuit charging breach of contract and trademark violations.

One month earlier the licensee, FBN Food Services, had filed a suit seeking $25 million in damages from Sizzler, franchisor of the 590-unit steak-house chain bearing that name. The suit charged Sizzler with using fraudulent means to weaken FBN's businesses and regain rights to the Chicago market.

In its countersuit Sizzler claims that FBN violated licensing agreements for the 21 restaurants it operates. Sizzler is seeking unspecified damages and a court order barring FBN from operating Sizzler units.

Moreover, the Sizzler breach of contract and trademark suit said FBN has not paid its royalty or advertising contributions to the company.

Ex-Four Seasons chef returns to RA

NEW YORK — Joseph "Seppi" Renggli, executive chef at the landmark Four Seasons restaurant until late last month, has rejoined Restaurant Associates as executive chef of The Sea Grill and The American Festival Cafe at Rockefeller Center.

Renggli, who was replaced at the Four Seasons by sous chef Christian Albin, originally joined Restaurant Associates back in 1966 as chef at New York's La Fonda del Sol. He later served as supervising chef for the company until 1973, when he left to join Tom Margittai and Paul Kovi in their acquisition of the Four Seasons from RA.

Renggli is expected to start in mid-June.

USDA prohibits Japan beef import

WASHINGTON — The U.S. Department of Agriculture has thwarted efforts to import Kobe beef, a strong-tasting, heavily marbled meat that is popular in Japan.

Department officials said they rejected a New York restaurant's request to import the meat because of substandard conditions within Japan's slaughterhouses.

The Old Homestead had sought to add Kobe beef to its menu as a way of differentiating the landmark from other New York steak houses. Other restaurants have also expressed an interest in featuring the Oriental delicacy.

The meat, which is named for the Japenese city of Kobe, is typically served in small but high-priced portions.

Little Caesars to open outlets in K mart stores

FARMINGTON HILLS, Mich. — Little Caesars Enterprises has inked an agreement with K mart Corp. to develop eight outlets within K mart stores.

The test outlets, slated to be opened at four Michigan and four Georgia K marts within three months, will be located near the stores' entrances and will operate during K mart's normal store hours. From 9 till 10:30 a.m., the Little Caesars operations will serve breakfast pizzas, muffins and danishes. The regular menu, including pizza by the slice, sandwiches, salads, ice cream and yogurt, will be offered the remainder of the day.

Court kills Prop. 65 exemptions

SACRAMENTO, Calif. — A Superior Court judge has ruled that foods currently approved by state and federal health authorities are not exempt from the warning requirements of California's Safe Drinking Water and Toxic Enforcement Act of 1986.

The referendum measure, known as Proposition 65, requires businesses to warn customers about a wide range of potentially cancer-causing agents, which are found in virtually all food products in at least trace amounts. But state regulators had exempted previously approved foods and drugs pending scientific revues by health experts.

Judge Ronald Robie struck down the exemption in response to a suit brought by a coalition of labor and environmental groups. The state Department of Health and Welfare has appealed his ruling, but a hearing date is indefinite.

"I suspect we're going to have to do a great deal more than post a generic warning" if the ruling stands, said Jo-Linda Thompson, government affairs director for the California Restaurant Association. "If . . . the exemption is invalid, then everything in restaurants would have to be labeled."

Marriott inks contract feeding pact for Japan

TOKYO — Marriott Food and Services Management has entered into three-way venture with Royal Co. Ltd., a restaurant and bakery operation here, and Sumitomo Corp., a global trading company based here, to begin contract feeding services in Japan.

According to a Marriott spokesman, the contract-feeding troika will initially focus on securing business and industry foodservice clients but will eventually expand its account portfolio to education and health-care markets. He added that the first account is expected to begin operations before the end of 1990.

Scheduled to be incorporated in June, the initial investment for the agreement will be 200 million yen, or about $1.25 million. Of the $1.25 million outlay, Royal will finance 45 percent of the capital, Marriott 35 percent and Sumitomo 20 percent.

Japan's first publicly traded restaurant concern, Royal operates about 300 Royal Host family restaurants and several franchised Burger King and El Pollo Loco units in the Hawaiian Islands plus retail and airport catering businesses.

Sumitomo Corp., a diversified trading conglomerate with 141 offices in 85 countries, distributes business and consumer products.

Texas operator blocks McDonald's new hamburger

LAKE JACKSON, Texas — A local hamburger chain said it has secured a temporary injunction preventing McDonald's from selling a new product called the Texas Homestyle Burger.

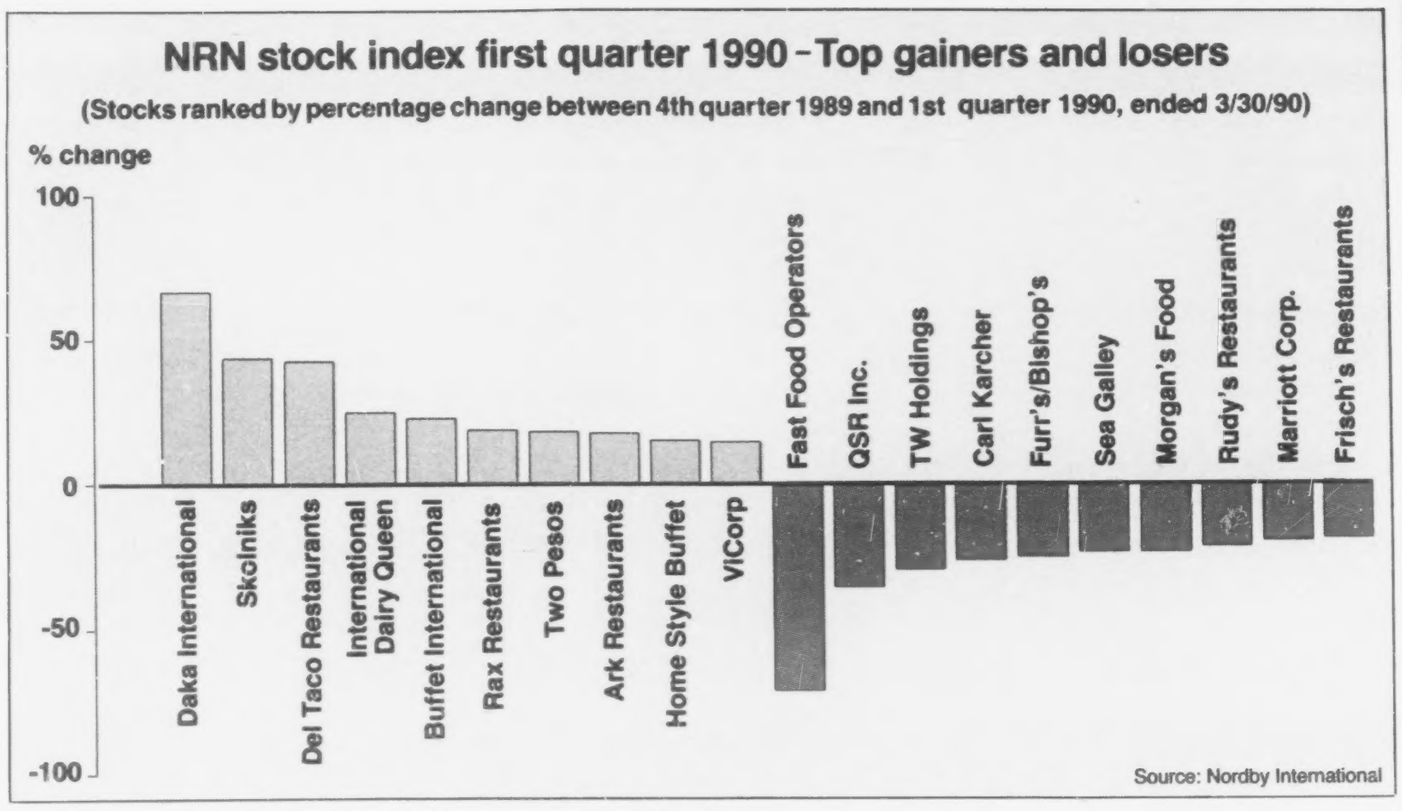
The chain, a seven-unit operation called Red Top, said the sandwich would be confused with its Texas Style Burger, which the operation has featured for 17 years.

McDonald's could not be reached for comment.

Richard Cox, Red Top's owner, said he is suing to permanently block McDonald's from selling the Texas Homestyle Burger in Brazoria County, which is about 30 miles south of Houston. He is also seeking all profits from the burger and related items, such as french fries and drinks, sold in Brazoria County. The trial is scheduled to begin June 4.

He described McDonald's offering as a quarter-pound hamburger served on a 4-inch bun.

FINANCIAL NEWS



Restaurant stocks lose 11% in 1st Q but gain year to year

by Milford Prewitt

NEW YORK — Stung by Wall Street worries over general economic conditions, restaurant stocks are losing some of their luster.

The Nation's Restaurant News Stock Index — a market-weighted measurement of 65 issues and the sector's broadest such monitor — lost 28 points, or 11 percent, ending the first quarter March 30 at 211.88

Meanwhile, the Dow Jones Industrial average lost 1.7 percent, the New York Stock Exchange Composite dropped 4.2 percent and the Standard & Poor's 500 Index slipped 3.8 percent.

Market watchers blamed the declines on investor concerns over the corporate debt levels, the fiasco in the junk bond market and rising interest rates.

However, in annual comparisons between the first quarters of 1989 and 1990, the picture is a bit more bullish for restaurant stocks.

> Market watchers blamed the declines on investor concerns over the corporate debt levels, the fiasco in the junk bond market and rising interest rates.

The NRN Stock Index rose 42 points over the year-ago period for a 31-percent rise in value, nearly twice as high as the best of the major stock indexes' year-to-year performance, the Dow Jones Industrial Average, which rose 18 percent.

The quarter's slump came after a full year in which the NRN index scored an impressive gain, rising 77 percent while the Dow Jones Industrials rose 47 percent. So analysts were not worried by the latest performance.

"The group has been firm and had predictable earnings," said Roger Lipton, an analyst with Ladenburg, Thalmann & Co. Inc. "By and large they are still in a solid position, and it is a pretty healthy segment.

"I don't think the first quarter is evidence of a downward trend as much as it reflects good stock performance among those companies that are following good fundamentals [in their business operations] and poor results from those companies with sloppy fundamentals."

In all, 24 restaurant stocks

*(See **RESTAURANT**, page 56)*

FOOD PRICE OUTLOOK

Pork, ham prices to remain high

by Patt Patterson

Pork and especially **ham** prices used to fall after Easter. However, smart marketing by pork producers has evened out a lot of the dips in demand.

Pork has been positioned as "the other white meat" in competition with chicken. And it's leaner, so housewives are again including it on their menus.

But the big push has been in the foodservice market. Restaurants, except for Oriental places and rib houses, had just about dropped pork from their menus over the past decade or so.

The product is now making a comeback, and the increased demand, both from retail and foodservice, combined with a smaller on-the-farm inventory (down 2 percent), is propping prices up, with no signs of any immediate decline.

Don't expect downward price pressure on hams from imports. Import stocks are low, and the rate of shipments to this country are continuing to run well below normal, especially those from Poland and Yugoslavia, which are having production troubles.

Some observers believe that the Gulf **shrimp** catch, due to start in May, will be lower than normal this year, with repercussions in pricing.

That impact is less these days because of the large quantities of shrimp being imported. China is still a low-priced leader, with Mexico's No. 1 white at the high end, followed by Ecuador and Peru. Prices are expected to remain fairly stable through at least midsummer.

Iceberg lettuce prices are expected to stay low through May. There are ample San Joaquin crops, and the Salinas and Santa Maria areas in California are gearing up for major production.

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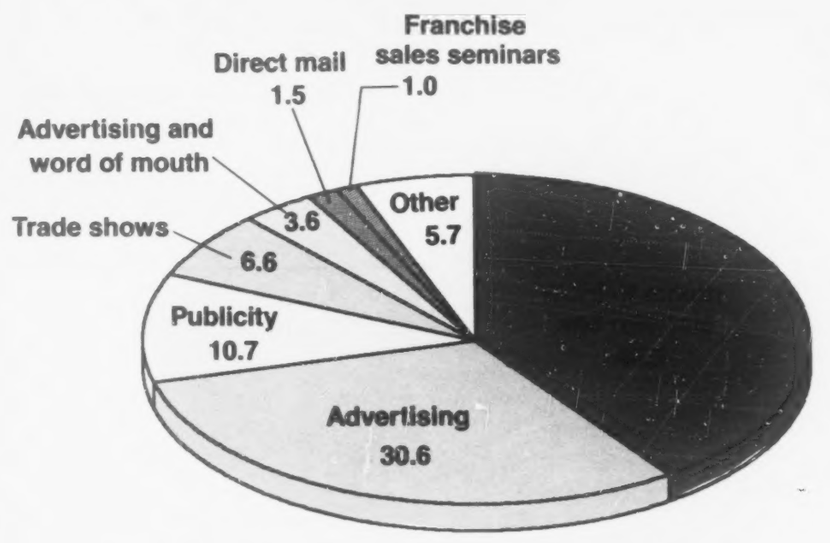


FINANCIAL DIGEST

Hardee's completes Roy Rogers buyout

ROCKY MOUNT, N.C. — Hardee's Food Systems Inc. has completed its $365 million acquisition of 648 Roy Rogers restaurants from the Marriott Corp.

The transaction enables Hardee's to add Roy Rogers' chicken-on-the-bone menu, thereby becoming the first major burger chain to challenge the chicken chains with fried chicken. Hardee's is testing the chicken at an outlet in Rocky Mount.

A division of Imasco Ltd., Hardee's will convert the 363 company-owned Roy Rogers units on a market-by-market basis, beginning in the Baltimore area. The company wants to persuade Roy Rogers franchisees to convert to the Hardee's system.

Hardee's said it would honor all existing Roy Rogers franchisee agreements. Roy Rogers restaurants will continue to have its headquarters in Rockville, Md.

In an unrelated development, Richard Hall, the executive vice president and chief financial officer of Peoples Drug Stores, will be joining Hardee's in a similar capacity, effective June 1.

Cooker ESOP cleared for stock buys

COLUMBUS, Ohio — Cooker Restaurant Corp. said the company's employee stock ownership plan has been cleared to purchase as many as 500,000 shares of the company's stock from time to time.

Cooker said in a statement that the company's current trading price levels of its stock make it an opportune time for the ESOP to purchase stock.

Cooker has about 11 million shares outstanding. In recent trading, its stock closed at $3.38 a share. The share price has been as high as $5.13 in the past 52 weeks.

Cucos 2nd-Q net income jumps 47%

METAIRIE, La. — Despite accelerated food costs from a Southern cold wave in December and less traffic at its restaurants, Cucos Inc. reported a 47-percent increase in net income, to $40,246 on revenues of $2.9 million, a 4-percent increase, for its second quarter ended Jan. 14.

Cucos, which owns and operates 10 of the chain's 31 units, enjoyed a 33-percent increase in net income for the first six months of its fiscal year, to $134,613 on revenues of $6.3 million, a 3-percent jump.

Revenues at TCBY rise 25% in 1st Q

LITTLE ROCK, Ark. — Increased expansion of both company and franchisee units led to a 25-percent increase in TCBY's first-quarter revenues, to $30.6 million, and a 13-percent jump in net income, to $3.2 million, for the period ended Feb. 28.

Frank D. Hickingbotham, chairman of the board and chief executive officer, attributed the results to increased franchisee and company-operated stores that came on board during the quarter.

But same-store sales decreased 8 percent, largely ascribed to the cold weather the chain's units experienced in the South during December. The company operates 148 of the chain's 1,665 units. TCBY is looking to open 400 company units during its fiscal year.

NCS completes debt swap

HOUSTON — National Convenience Stores Inc. said it had completed an offer to swap a new issue of convertible, exchangeable preferred stock for its outstanding convertible debentures.

A total of $32 million, or 64 percent, of the company's 9-percent convertible subordinated debentures due Dec. 1, 2008, wasexchanged for 224,371 shares of new $14.38 convertible exchangable preferred stock.

COAST TO COAST

New England survey: Business down in '89

by Paul Frumkin

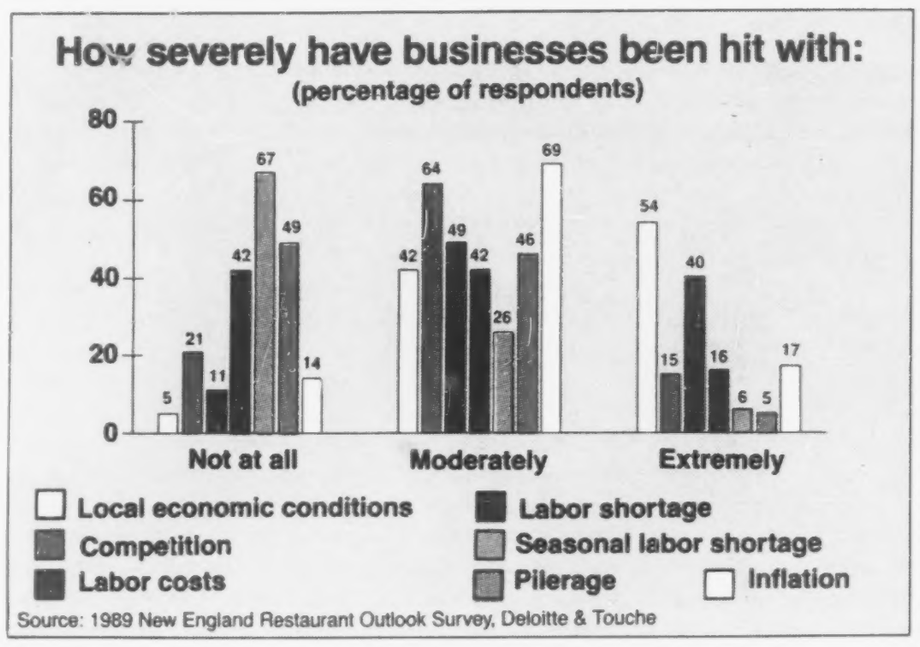
BOSTON — Nearly three-quarters of New England food-service operators polled in a recent study said they had suffered an earnings decline in 1989 compared with the previous year's results.

That was one of the findings of the 1989 New England Restaurant Outlook Survey, which is published by Deloitte & Touche of Boston, a consulting and accounting firm.

Of the 70 percent of the respondents who reported a decrease in net income, most cited a downturn in the local economy, 54 percent, and increased labor costs, 40 percent, as the major factors affecting their bottom lines.

Consequently, 65 percent

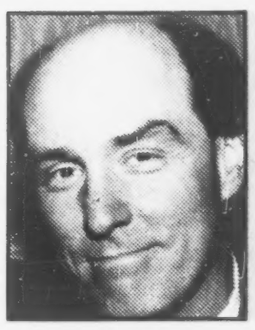
*(See **STUDY**, page 46)*



Source: 1989 New England Restaurant Outlook Survey, Deloitte & Touche

Southeast pizza indies find new ways to make 'dough'

Lorenzo Amato and Pete Vavaroutsos will never quit working 14-hour days. But like lots of other immigrants from Italy and Greece, they're sick and tired of beating their pizza dough against a stone wall.



SOUTHEAST REPORT

JACK HAYES

Getting pinched and rolled over by home delivery and by the coupon-waving competition in Tallahassee, Fla., and Atlanta, these tough, never-say-die independents are nevertheless saying goodbye to their favorite pieces of pie.

"I'm the King of Pizza, but I'm not doing pizza anymore," says 43-year-old Amato, who made the Guinness Book of World Records for the 100-foot, 1-inch diameter pepperoni monster he built in the Tallahassee suburbs in 1987.

Amato has actually rolled out two world-class pizzas — not to mention 28 restaurants — in the 20 years since he opened Tony's on the Coney Island side of Brooklyn, N.Y. But the fiery Amato has sold or closed the last of his pizzerias to focus on Cafe di Lorenzo, a trattoria he opened in Florida's capital eight years ago.

"I advise people to stay as small as possible and in one location," says Amato, whose signature is grouper Fradiavalo at $13. His fried eggplant and stuffed mushrooms at $2.50 and $3.50 are gobbled by the office crowd that hits Cafe di Lorenzo for lunch and weekday dinner.

"Yes, this town is good to us," adds Amato's oldest son, James, who claims dinner stays at 400 covers a night during the busy legislative months of April and May. Lorenzo's average check is $9.13 , not including beverage.

Amato isn't worried about his future. Although he hasn't served a free salad since tomatoes hit $45 a case with the December freeze, he's planning to start again when The Olive Garden opens, less than 2 miles away.

"My tradition will live on with my sons; that's how a family restaurant survives," says Amato, who made waves in upstate New York years ago when he put a reproduction of Michelangelo's classic statue "David" near the entrance to his pizzeria. Eager to turn life's lemons into lemonade, he slid a pair of boxer shorts over David's naked bottom to silence the city's prudish critics. To this day, Amato's logo is the mighty profile of David's face.

"Humor and entertainment get you a long way," Amato says, grinning.

Humor is the force that helped Pete Vavaroutsos back in 1962. He opened Bella Pizzeria in Queens, N.Y., six months after he landed in America with only $4 in his pocket. By the time he hit Atlanta's north suburbs in 1979, Vavaroutsos was also being called the King of Pizza. To a thousand New York transplants who craved hard, thin crust, red pepper and oregano, Pete was an overnight hero.

"I talk with my hands; I do everything with my hands," gestures Vavaroutsos, who was one of the first operators in the Atlanta market serving calzones and Greek salads in a Napolitana and Sicilian pizzeria called Mama's.

Yet even Vavaroutsos' talented hands can't toss pizza and deliver it at the same time. Despite the loyalty of patrons, home delivery operators continue wheeling aggressively into his business. And local coupon competition stays hot enough to melt his Mozzarella.

But things will grow cooler for Vavaroutsos in June, when he kisses his pizza ovens goodbye and goes to work in his brand-new Italian Ice factory operating under the name Bella Fresca.

A year and a half ago, right after he started mixing and serving Italian ice at Mama's, Vavaroutsos began turning other restaurants on with best sellers like cherry, blue raspberry and watermelon. "This is a dream I've had since the beginning," he says.

Like Amato, Vavaroutsos also has a son named James. And his James has begun to call on potentially big Italian ice operators, such as Walt Disney World and The Olive Garden.

A market virtually exploding now for Italian ice is health care. Since ice has 60 calories per 5-ounce cup and no cholesterol or fat, hospital nutritionists prescribe it for patients who can eat snacks, James Vavaroutsos reports.

His father will be pushing out 750 gallons of Italian ice a day when his three machines get cranking. And this week he's introducing a new flavor: Georgia Peach.

"Sometimes," he says, pointing to James, who is scooping a cup of Italian ice for a customer, "the baby grows up and swallows the father."

REGIONAL BRIEFS

Cha Cha Cha spawns Prado

LOS ANGELES — Toribio Prado, chef-owner of the popular Cha Cha Cha, has launched Prado, a diminutive restaurant featuring a similar Latin-Caribbean cuisine.

Decorated with an antique hutch, chandeliers and a baroque ceiling mural of clouds and angels, the 38-seat Prado features prawns in a pungent black pepper sauce, a New York steak smothered in sautéed onions and house-made pastries, including *tarte Tatin* and lemon-walnut cake. Entrées, priced from $9 to $16, come with black beans, rice, yucca fries and pan-fried plantains.

Toribio Prado still heads the kitchen of his flagship operation, near the eastern end of Melrose Avenue, while his brother, Javier, is chef at the new Larchmont Boulevard restaurant. Both men are veterans of the trendy Ivy restaurant on Robertson Boulevard, where Toribio Prado was head chef.

Culinary Gold Cup competition set

EVANSTON, Ill. — Twelve chefs will compete May 21 at Kendall College Culinary School in the American Culinary Gold Cup Bocuse D'Or.

The winner will receive the Gold Cup, valued at $5,000 and an expense-paid trip to France to represent the United States in the 1991 Bocuse D'Or competition. The sponsor of the American competition is Le Vatel Club du Midwest, an organization of French-speaking chefs. The finalists are David Burke, The River Cafe, Brooklyn, N.Y.; George Bumbaris, Ritz-Carlton Hotel, Chicago; Paul Cunningham, Le Cirque, New York; Kurt Fleischfresser, The Coach House, Oklahoma City; Todd Hall, L'Auberge de Sedona, Sedona, Ariz; Edward Janos, Chez Raphael, Novi, Mich.; Christopher Koetke, Le Français, Wheeling, Ill.; Peter McGinley, Hotel Nikko, Chicago; Rick Moonen, The Water Club, New York; Tamara Murphy, Dominique's Place, Seattle; Bryan O'Connor, Christopher's, Phoenix; and Brian Polcyn, Pike Street Restaurant, Pontiac, Mich.

Tia's targets Tarrant County

DALLAS — Tia's Inc., operator of eight Mexican restaurants in Dallas, plans to open three new units in neighboring suburbs of Fort Worth during the next year.

Led by chief executive officer Larry Lavine, Tia's plans to open its first Tarrant County restaurant in Arlington, Texas, in June. The Arlington Tia's will be one of the chain's larger units, with seating for 200 inside and 40 on a patio.

The first Tia's opened in Addison, Texas, in 1984. Lavine joined the company in 1987. The restaurants feature a variety of Tex-Mex dishes with prices ranging from $3.95 to $8.95. According to published reports, the company is projecting revenues of $16 million in 1990.

New Jersey considers no-smoking bill

TRENTON, N.J. — Bergen County Assemblywoman Elizabeth Randall is sponsoring a bill in the state Assembly that, if passed, would require restaurants with more than 80 seats to set aside up to 60 percent of the seats for non-smokers. Currently, the state law only requires that restaurants post a sign indicating whether they have a non-smoking section.

Meanwhile, the New Jersey Group Against Smoking Pollution and the state chapters of the American Cancer Society and the American Heart Association are continuing to urge a total ban on smoking in restaurants.

Andrew's owner plans Trio

TALLAHASSEE, Fla. — A prominent downtown operator in this Florida Panhandle city will take to the suburbs in July with a 185-seat pizza-pasta-grill called Trio near the intersection of Thomasville Road and Interstate 10.

"I feed the north side people on weekends and special occasions, and now I'm going to get into their suburban pocketbooks," says Andy Reis, a winner of 14 consecutive Golden Spoons for his tablecloth operation, Andrew's 2nd Act.

Reis, who also owns Adams Street Cafe, Epicurean Catering and Andrew's Upstairs, says Trio's demo kitchen will showcase a wood-burning pizza oven. His new restaurant will also sell fresh pastas and breads to go. "We'll combine elements of California Pizza Kitchen with The Olive Garden in a neighborhood grill," says Reis, who plans to keep dinner checks at $10.

Eddie Jacks' creator opens new Italian

SAN FRANCISCO — Tim Dale, co-owner and co-creator of the popular Eddie Jacks, and local veteran chef Donna Nicoletti, formerly of Greens and the Atrium, have teamed up to develop Undici, an Italian restaurant in the South of Market neighborhood.

Mitchell Weiss, of Cabinet Masters Inc., is Dale and Nicoletti's partner in the 80-seat restaurant, which opened earlier this month in the space formerly occupied by Taxi Cafe. "Undici" is Italian for 11 and refers to the restaurant's 11th Street address.

Dale says Nicolleti's menu features Southern Italian-style foods inspired by family and "old-world" recipes and includes Sicilian fennel sausage and globe artichokes stuffed with Parmesan cheese and bread crumbs. Appetizers are priced from $3 to $5; entrées, from $7 to $14.

NEWS

Sysco taps Donelson as Virginia prexy

HOUSTON — Chuck Donelson has been appointed president of Sysco Food Services of Virginia Inc.

SFS is a subsidiary of Houston-based Sysco Corp. resulting from the consolidation of HFP-Sysco Food Services Inc. of Harrisonburg, Va., and Theimer-Sysco Food Services in Roanoke, Va.

Thomas E. Lankford remains chairman of the combined companies. Zane D. Showker, president of HFP-Sysco Food Services, has been named chairman emeritus. Officials said the company would continue to service customers for both locations.

East Bay operators support CountyMeals-On-Wheels

BERKELEY, Calif. — County Meals-On-Wheels will benefit when nine of Alameda County's best-known restaurants team up to present "Five Star Night" May 7 at the Sedona Grill here.

Up to 200 people will be seated for the special six-course meal of foods, such as deep-fried catfish fingers with spicy orange mayonnaise, Rio Grande roasted bass with vinaigrette of tomato, toasted garlic and arbol, and Burgundy-poached plums with cinnamon parfait and sabayon. Tickets are $200.

Participating restaurants are Bay Wolf, Cafe Pastoral, Chez Panisse, Christopher's Cafe, Fourth Street Grill, Kimball's East, Lalime's, Paloma Oyster Bar & Restaurant and Sedona Grill. Corporate sponsors include Clorox, A.T. & T., Samuel Merritt College and Merritt Peralta Medical Center.

According to organizers, the seven organizations comprising County Meals-On-Wheels deliver hot, nutritious meals to 1,600 homebound people five days a week.

Survey: New England business down in '89

(Continued from page 18)

of the operators polled said they have no plans to expand their businesses during the next three years.

While 55 percent of those operators polled noted that they had experienced no change in the intensity of competition between 1988 and 1989, 40 percent reported that competition had indeed increased.

For the future, however, 51 percent of the respondents predicted that competition would worsen in their areas, while an additional 28 percent forecast no change. Only 21 percent said they believed that competition would improve.

More than half of the respondents, 52 percent, said that the key factor in profitability in 1989 was the control of all expenses. Another 21 percent cited increased sales as being essential for improved margins, while 18 percent believed that the control of labor costs would increase profits. Only 4 percent said successful advertising played an instrumental role.

Despite concerns about rising labor costs, most New England operators polled said they were only moderately affected — 42 percent — by the dwindling labor pool, while another 42 percent reported that it had no effect at all on them. Only 16 percent, in fact, said that the labor shortage posed a major problem to their operations.

In general, though, the majority, 54 percent, of the respondents reported having to pay increased wages to get help these days. Another 14 percent said they have had to devise incentive pay schemes and another 20 percent now offer increased benefits to bring in good hires. Eighteen percent said they have changed their hiring standards as a result of the labor shortage, and 14 percent reported they are now hiring older employees to fill in gaps.

> No one believed that a minimum wage increase would improve their businesses.

It is not surprising that a majority of those polled, 57 percent, claimed that a minimum wage increase would have an impact on their businesses; 43 percent, however, said that it would have no impact at all. No one believed that a minimum wage increase would improve their businesses.

And, as tastes continue to change, operators are noting an alteration in purchasing habits. A vast majority, 79 percent, observed an increase in chicken sales in 1989, while 68 percent also reported that fish sales rose. In fact, 70 percent of the operators polled saw an increase in the sales of all health-conscious meals last year.

According to the study, 45 percent of New England operators registered a decline in meat sales, 43 percent saw no change and 12 percent said meat sales were up.

Sales of desserts held about even, with 22 percent of the respondents logging sales increases and 25 percent seeing a decline. Over half, 53 percent, registered no change in dessert sales from the previous-year volume.

Those reporting an increase in wine sales, 52 percent, far outstripped operators who said that wine sales had decreased, 15 percent. However, nearly three-quarters of the respondents, 73 percent, saw a decrease in other alcohol sales.

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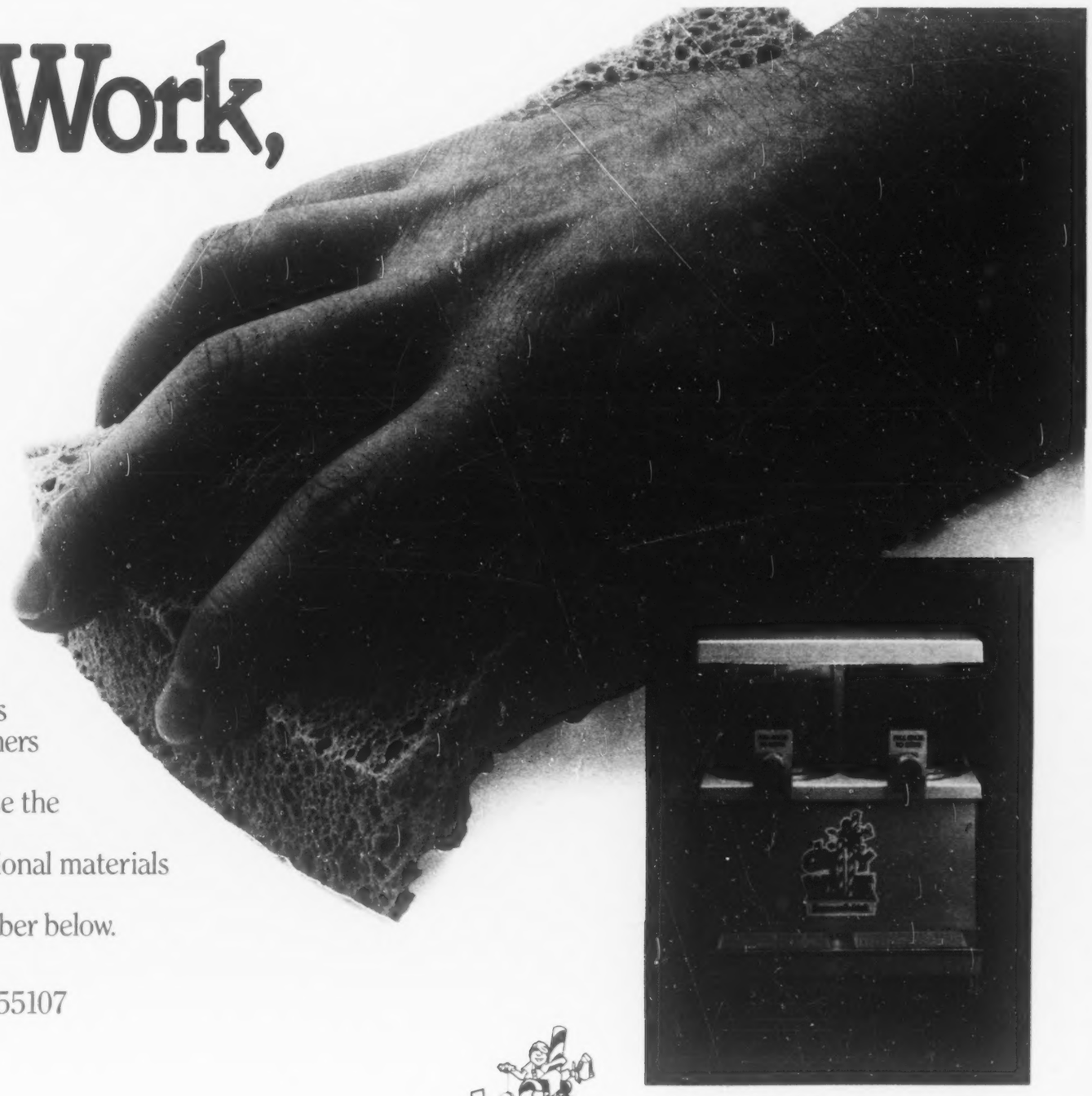

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NEWS

California restaurant boom: Enough is enough!

(Continued from page 1)
nant," particularly in Los Angeles, according to Stanley Kyker, executive director of the California Restaurant Association. He sees the problem of thinner slices from a growing pie rooted largely in the proliferation of competing restaurants. The number of eating establishments in the Los Angeles area alone rose more than 20 percent during the last decade.

The saturation syndrome is exacerbated, Kyker says, by a more aggressive, competitive stance taken by supermarkets featuring service-delis, fresh-fish stalls, in-store bakeries — even drive-thru windows. Mortgage burdens and family formation are also fostering a rediscovery of home-cooking among young marrieds.

Particularly in metropolitan Los Angeles, the nation's largest restaurant marketplace, symptoms of the restaurant malaise are widespread. They range from the vaunted Michael's in Santa Monica, whose once-stratospheric menu prices were recently slashed by one-third to drum up business, to units of the otherwise-booming Sizzler chain, whose 160 Los Angeles-area restaurants last year sustained a decline in average per-store sales from year-earlier levels.

"Southern California is extraordinarily competitive, and in this environment it's hard to see any upticks in customer counts," explains Thomas Gregory, president of Los Angeles-based Sizzler.

Discounting and bargain promotions are rampant among California's fast feeders, coffee shops and dinner houses, with the latter category often hard-hit by an erosion of bar business that shows no sign of subsiding.

"I've been saying [the liquor-sales decline] has bottomed out, or is about to, for five years now," remarks Mike Casey, president of the Irvine-based El Torito chain, whose highest concentration of outlets is in California. With liquor business still on the skids, El Torito is converting some cantina space to dining uses.

The bar-room doldrums can also be measured in the declining value of liquor licenses. The state Alcoholic Beverage Control Department has estimated that the average selling price of existing spirits licenses in Los Angeles County dipped steadily over the past five years, from $37,000 in 1985 to under $23,000 last year. The devaluation may have been propelled by a growing number of restaurant failures and the recycling of their spirits permits.

Over the same five-year period, demand has also steadily slackened for the 25 new liquor licenses the ABC awards by lottery each year in Los Angeles. In 1985, 314 applicants entered the lottery; last year only 161 would-be bar operators vied for the permits.

The saturation-driven restaurant slump is often symbolized by shuttered businesses that sit idle month after month in seemingly prime locations, ones that only a few years ago confident operators would have recycled.

On trendy Melrose Avenue in Los Angeles, the defunct Italian restaurant Bocca stands vacant, while the nearby site of Ashley's — formerly the bustling Silvio — reposes in grim neglect. The once-hot Van Ness Avenue site of the defunct Bubba's BBQ in San Francisco remained untouched for nearly a year before its recent recycling.

"I'm now, for the first time in years, seeing restaurants closing and turning into hardware stores," says Laurence Mindel, chairman of San Francisco-based Il Fornaio Corp., the operator of high-grossing Italian restaurants and bakeries. "It used to be the other way around."

Margins are tighter in California
(per seat medians)

	Calif.	US
Total sales	7,562	4,971
Total cost of sales	2,404	1,732
Gross profit	3,126	3,169

Although sales are higher in California, costs are too, giving the state's operators tighter margins than the U.S. average.

Source: Laventhol & Horwath. 1988 data. Median figures do not necessarily add to totals shown.

Overbuilt conditions are also evident in the way customer traffic seems to have dipped sharply at a host of celebrated, big-ticket restaurants unlucky enough to be located near newer, hotter dining attractions, such as Campanile in Los Angeles and Postrio in San Francisco.

Increasingly, the fickle patronage of trendy diners and value-conscious gourmets is forcing competitors to relax formalities, put on friendlier faces and bite the bullet posed by painfully rising costs. "Downscaling" and "casualization" are the buzzwords humming in the ears of many operators, who raise menu prices only with the utmost caution and strive to maintain high standards even while they implement tariff cuts.

"Quality is the thing in the highest demand," says Michael McCarty of Michael's. "You've got to deliver that whether you're charging $15 or $22 for something."

Meanwhile, entrepreneurs with new concepts continue to enter the crowded field, though sometimes with hollow-sounding references to past glories: a recently issued press release touting a trendy, new restaurant at Los Angeles Harbor boasted in bold-face type of its chef's tenures at three well-known Los Angeles eating places — each of which was closed for lack of business.

Post-earthquake fears that have suppressed tourism have added insult to injury in San Francisco's teeming morass of restaurants. According to a new study published by the accounting firm of Laventhol & Horwath, average gross sales in the city, which has the nation's highest per-capita spending at restaurants, were $330,000 per establishment in 1988 — $210,000 short of the average gross needed to remain in business.

Laventhol's report, California Restaurant Operations 1989, concluded that San Francisco's failure rate for restaurants less than 2 years old now exceeds 50 percent.

Statewide, the report said, sales in restaurants dipped sharply on a per-square-foot and a per-seat basis, from $281 per foot in 1986 to $259 in 1988, and from $8,268 per seat in 1986 to $7,562 in 1988. Over the same period, profits fell from 7.3 percent of sales to 6.8 percent, while net per-seat profit plummeted from $727 to $380, Laventhol reported.

The comparative study of 1988 results, which Laventhol points out is derived from a limited statistical base that may change annually, also concludes that Californians are spending less money in restaurants serving alcoholic beverages. So-called limited-menu and food-only establishments posted higher profits than "full-menu" and "food and beverage" operations, according to the report.

On an upbeat note, Laventhol & Horwath noted that median sales per seat in California restaurants in 1988 were 52 percent higher than the nation's median. The state's median profit per seat was more than double the national figure that year.

"It's not going to be all gloom and doom, but we have reached the saturation point and we're going to have to go to niche marketing," predicts Mark DeDomenico, a California Restaurant Association spokesman. He points to the well-promoted low-calorie items and snack-oriented finger foods of San Diego-based Jack in the Box as an example of niche-marketing tactics that are paying off for the chain in the form of surging sales and steady expansion.

Indeed, some operations defy the saturation-skewed odds against unfettered growth. Jack Goodall, chairman of Foodmaker Inc., the parent company of Jack in the Box, remains confident about his fast-food chain's ongoing enlargement in the face of intensifying market-share battles. "This is going to continue to be a terribly competitive business," Goodall concedes. "But saturation? No way."

Still, the CRA's Kyker believes the restaurant industry needs renewed inspiration to deal with challenges posed by market crowding. He suggests that restaurateurs may be exhausting certain heavily exploited growth channels, including fast-food breakfasts and other menu diversifications.

"Maybe we're not finding some of those new opportunities quite so readily," Kyker says, "and maybe they're not as obvious as they once were."

Remi opens doors in California

(Continued from page 3)
residential Manhattan neighborhood and shine in a booming restaurant district of Santa Monica, where lunch service has been added and a walk-in trade has materialized that accounts for half of all lunch covers and one-fourth of the restaurant's dinner traffic.

Meanwhile, the new higher-volume, downscale Remi format is preparing to surface in New York on heavily trafficked 53rd Street, between Sixth Avenue and Seventh Avenue.

After introducing Remi to Southern California, Tihany and Antonucci will put it in the care of their managing partner, Jivan Tabibian, and chef, Claudio Bonotto. But the work of the concept's founders will remain in evidence.

Antonucci's artistry is already known to local diners from his earlier tenure in the kitchen of Santa Monica's renowned Valentino. Its owner, Piero Selvaggio, helped his former chef reacclimatize by working with him on Remi's menu pricing and wine selections. At Remi, Antonucci reprises his New York repertory, adding flavors and accents that are distinctly Californian.

"In California," Antonucci explains, "I can put a lot more color in my salads, with things like red lentils and Bermuda onions. We don't have those things in New York." Other foods the chef can utilize include baby clams from New Zealand and abalone. "Nobody does abalone in New York," he remarks.

On the other hand, not too many local restaurants offer the style of dishes Antonucci has brought with him from New York, including such appetizers as squid, stewed in their own ink, with creamy polenta ($8); smoked goose "prosciutto" with baby greens ($9); and swordfish carpaccio with *alici* and fennel seed oil ($8).

Best sellers from a list of 10 pasta and rice dishes include fettuccine with grilled sea scallops, garlic and broccoli rabe ($15) and fusilli with radicchio and bacon ($14). Ravioli of fresh tuna and ginger are served in a light tomato sauce ($14), while gnocchi made of beets and potatoes are topped with goat cheese in a butter and sage sauce ($13).

A grilled veal chop with mashed potatoes and mushrooms ($24) is among the most-ordered main courses. Naturally, Remi serves *fegato alla Veneziana*, the Venetian signature dish of calf's liver with onions and polenta ($17). Per-person dinner checks average $35, about $10 less than at the New York restaurant.

Tihany provides abundant visual and environmental touches to complement Antonucci's gustatory offerings. Known for designing such arresting Manhattan establishments as Hubert's and Le Cirque as well as the Bice restaurants in New York, Chicago and Beverly Hills, Tihany has infused the Santa Monica Remi with impressions of contemporary Venice.

"It is a Venetian restaurant," Tihany explains, "but it's transplanted from the Old World to the New — not the Byzantine Venice but the modern Venice."

Remi's floor is boldly striped with Brazilian maple and cherry wood to resemble a boat deck. Overhead, the mood of the canal-laced city is further conveyed by criss-crossed pairs of 17-foot-long gondola oars, set into square, beveled ceiling recessions that conceal room lighting.

The dining and bar area are studded with Tihany's provocative signatures. At one end of the main room, his collection of crimson-colored Venetian glassware is arranged asymmetrically on a round, backlit shelf assembly on the back bar.

Tihany refers to the dining room's circular centerpiece — a tiered, transparent display — as "my world-renowned *grappa* tower." It is used for displaying more than 40 different bottles of the brandylike Italian spirit.

Another illuminated tower, a lighthouselike architectural model, stands in Remi's reception area. Based on a 1930s design by Italian metaphysical artist Giorgio De Chirico, the model was planned by artist Milton Glaser and Tihany and built by a Venetian glass sculptor. Behind the scenes, Remi has a 12-seat wine room designed by Tihany so that he, Antonucci and their friends can indulge with impunity in what the designer calls a "combination of hobby and vice": grappa drinking accompanied by cigar smoking.

While readying the revival of Remi in New York, Tihany is preparing designs for new Bice restaurants in Washington, Miami and Atlanta. He also has restaurant projects in Paris as well as one in Munich, where he will soon work on a casual spin-off of that city's only Michelin three-star restaurant, Aubergine.

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19 Published every Monday by Lebhar-Friedman Inc., $3 per issue May 7, 1990

NRN Photo

Perry at Richard Perry Restaurant in the Hotel Majestic. He plans to open a bistro at the original site of Richard Perry.

Perry to launch casual bistro

Plans Midwest menu concept

by Carolyn Walkup

ST. LOUIS — Richard Perry, a pioneer of contemporary Midwestern cuisine, is leaving a management consulting position at Richard Perry Restaurant in the Hotel Majestic to open a bistro on the site of his original restaurant.

Perry's Jefferson Avenue Bistro, set to open in mid-June, will continue his development of Midwestern-inspired dishes but with simpler preparations in a more casual setting.

Anticipated check averages of $20 for dinner and $10 for lunch will be about half of the average at the Hotel Majestic.

Daniel Carbery, the hotel's new food and beverage director, said the decision not to renew Perry's contract there was amicable, and that the hotel eventually would change the restaurant's name. Perry continues to consult on the hotel restaurant's menu for a few more months.

"I was never 100 percent happy downtown," Perry admitted. "I spent more time trying to please the staff than myself."

In the bistro Perry will again devote much of his time to the back of the house, as he did at his old restaurant. The menu will change "all the time," he said.

Opening with 104 seats, the restaurant has the potential to expand to some 300 seats, including an outdoor garden and patio. Guests will be encouraged to come in wearing jeans or shorts if they wish, and the staff will have the option of wearing shorts in the summer.

To help hold down menu

*(See **PERRY**, page 104)*

Immigration reform dies without fight

Fearing charges of bias, business lobbyists shy from political minefield

by Peter Romeo

WASHINGTON — An effort to rescind the immigration law's harsh penalties for errant employers has sputtered and died without drawing even lukewarm support from the business community, which howled in dismay when the sanctions were drafted in 1986.

Business groups attributed the restraint to political pragmatism and a set of circumstances that might have branded proponents of change as admitted bigots.

Employer sanctions fail, studies say

See page 106

In addition, "we have not gotten a lot of complaints from our members about the law being burdensome," said Jill Scheldrup, associate manager of employer relations for the U.S. Chamber of Commerce.

"There's just not a consensus supporting a repeal," said Pamela Sederholm, executive director of the Foodservice and Lodging Institute, a trade group that represents hospitality chains.

The National Restaurant Association and the Chamber of Commerce were among the numerous groups that fought to exclude employer sanctions when the immigration law was written in 1986. The various organizations argued that the

*(See **LOBBYISTS**, page 106)*

Pantera's Ch. 11 plan calls for fire sale of Pizza Inn units

by Milford Prewitt

DALLAS — In a struggle to pull its parent company out of bankruptcy, Pizza Inn plans to sell nearly all 106 of its company-operated Pizza Inn units and function primarily as a franchisor and foodservice distributor.

Pizza Inn said it hopes to make about $14 million on the sale of the restaurants and the liquidation of its real-estate holdings. It noted that the units would be offered to current and prospective franchisees.

Pantera's Corp., Pizza Inn's parent, filed for Chapter 11 bankruptcy protection after failing to come up with an acceptable plan to restructure $35.5 million in debt, most of it owed to two banks that helped finance Pantera's $48 million purchase of Pizza Inn in 1987.

At the time the deal made Pantera's the nation's third-largest pizza maker, with 836 units within its chains.

Pizza Inn had four times as many units as Pantera's and had 10 times the systemwide sales volume.

*(See **PIZZA INN**, page 106)*

INSIDE

New ideas for seafood, potatoes
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Ever-changing wine lists
Mort Hochstein/Page 25

The two restaurant kings
Charles Bernstein/Page 41

A look at Taste of the Nation
Special Report/Pages 53-68

NY TACO ATTACK

Romano plans Texas Tortilla take-out chain in Big Apple

by Tracey Woodard

SAN ANTONIO, Texas — Restaurant innovator Phil Romano is hoping to bring a little taste of Texas to the concrete canyons of New York.

Romano, founder of the Fuddruckers gourmet hamburger chain and, more recently, Romano's Macaroni Grill, is chairman, chief executive officer and part owner of Texas Tortilla Bakery Inc., a public-restaurant company that recently acquired four-unit, New York-based Pesos Inc.

"I want to become the Dunkin' Donuts of the taco business in New York," Romano said from his office here.

*(See **TACO**, page 4)*

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 19 May 7, 1990

NEWS BRIEFS

Wendy's income falls 45 percent for 1st quarter

DUBLIN, Ohio — Wendy's International's net income for the first quarter ended April 11 plummeted 45 percent from the year-ago tally, to $3.5 million, the company told its shareholders at their annual meeting.

Revenues for the three-month period fell 7 percent, to $241.3 million, executives said.

The nation's fourth-largest hamburger chain has been struggling to regain the sales and expansion momentum that made it one of the fastest-growing foodservice systems of the early 1980s.

Chicago Dining Authority fields offers

CHICAGO — At least two bidders are vying for an equity stake in the Chicago Dining Authority, which operates four restaurants here, including the highly successful Harry Caray's.

However, Harry Caray's apparently would be spun off from CDA and sold to investors.

CDA's owner, Paul Stepan & Associates, said it wants to sell all or most of its restaurant division to concentrate on other interests and to pay down debt. The two known bidders are Management Group Inc. and Burhop's, the city's leading seafood retailer and a partner in CDA's Burhop's Restaurant.

The other eating places affected by a CDA's sale would be Prairie, a Midwestern restaurant in the Omni Morton Hotel, and Red Kerr's, a sports bar and restaurant. A previously announced project, a restaurant partnership with jazz pianist Ramsey Lewis, has been put on hold.

Debt payments spark $35.9M loss for Copeland

JEFFERSON, La. — A. Copeland Enterprises Inc., the parent company of the Church's and Popeyes fried-chicken chains, reported a net 1989 loss of $35.9 million on revenue of $415 million.

Losses were deepened by the $55.6 million in interest payments that Copeland paid Merrill Lynch & Co. and the Canadian Imperial Bank of Commerce. The investment firm and bank helped finance Copeland's $392 million purchase of Church's in March 1989.

In a government filing Copeland also reported that Merrill Lynch had given the company an extra 15 months to pay off a $173 million bridge loan, which matured March 21, and has reduced the loan's interest rate from 18.73 percent to 18 percent. Copeland has also deferred $7.5 million of the 1990 payment on the term loan, owed to CIBC, to be added onto a $48 million payment, due in 1993.

NY association fights bill banning polystyrene

NEW YORK — The New York State Restaurant Association has urged the New York City Council's Committee on Environmental Protection to shelve a proposed bill that would ban the use of polystyrene containers here.

Former NYSRA president Michael O'Neal, owner of the Gingerman and other restaurants in New York, asked the committee to consider recycling as a solution to the city's waste problem instead of banning plastics altogether.

"Make no mistake that banning foam entirely will bring with it substantial economic repercussions for the industries involved," said O'Neal. "Also consider that this move may not be necessary with the recycling efforts now under way in this area."

A test site to recycle polystyrene is currently in operation in Brooklyn. Moreover, an organization composed of seven plastic foam manufacturers is planning to build five regional recycling centers in the next year, O'Neal added.

Bruggemeier opens shop for sous vide

CINCINNATI — Carl Bruggemeier, operator of the Phoenix restaurant and banquet complex here, and Culinary Brands, a Sausalito, Calif.-based supplier, have opened a store here that sells sous-vide meals.

Sous vide is a process by which food items are prepared and then vacuumed-packed in plastic pouches. Sous-vide preparations require only refrigeration for preservation. The selections can be microwaved or reheated in water.

In its first weeks of operation, the shop, called Archer and Adams, has "about doubled" sales projections, Bruggemeier said.

Rivera tapped for committee on education

DALLAS — U.S. Labor Secretary Elizabeth Dole has appointed Richard Rivera, TGI Friday's chief executive, to a blue-ribbon commission seeking to close the gap between education levels and workplace requirements.

The appointment reflects Friday's involvement with educational programs. The chain supports the management programs of the University of North Dallas and the University of Texas at Dallas. Friday's also offers tuition reimbursement to employees seeking high-school diplomas or college degrees.

The secretary's Commission on Achieving Necessary Skills is chaired by former Labor Secretary William Brock. Its members are drawn from the business, labor and education fields.

Shooting erupts at food court; 1 dead, 4 hurt

DUNWOODY, Ga. — The image of safe dining in the suburbs was bloodied by a shooting attack at Perimeter Mall in upscale north Atlanta.

Hundreds of employees and lunch-hour patrons at one of the city's busiest food courts watched helplessly as a man opened fire near the Taco Bell and Wendy's counters, killing one patron and injuring four.

The next day some operators remained nervous about whether the incident would hurt traffic temporarily.

"It's another blow to the safety of eating and working in public," said one manager.

Arby's opens unit at Pilot Oil site

BELLEVIEW, Fla. — Arby's Inc. has opened a restaurant in a Pilot Oil travel center here.

The 2,500-square-foot, 90-seat restaurant, which is adjacent to a gas station and convenience store, is the first under a franchise agreement with Pilot Oil Corp. Three future units are slated for Ohio, Tennessee and Michigan. Arby's previously operated a mobile unit next to a gas station for several months.

Arby's, which also has units at such non-traditional sites as office and campus buildings, said the venture offers a less costly way to open restaurants along freeways.

Dakota's regroups after departures

Severson

DALLAS — Dakota's Restaurants Inc., the management company that operates award-winning Dakota's here and in Boston, has regrouped following the sudden resignation of key operations, administrative and restaurant personnel.

Dakota's has promoted Jim Severson, formerly executive chef of the Dallas restaurant, to corporate chef with expanded operating and marketing responsibility. Former controller Greg Williams has been named Dakota's chief financial officer.

Janet Colgin, formerly operations director at Dakota's, resigned to start up Turntable Restaurant Group, operator of Veni Vidi Vici, a new Italian concept.

Dakota's corporate general manager Jeff Barker, personnel director Jimmy Fell, house manager Mike Donlon and sous chef Scott Blakely all have joined Colgin, who is president of the new management venture.

Social Security tax rollback downed by committee

WASHINGTON — An effort to reduce employers' Social Security payroll taxes has faltered in its first congressional test.

In a vote before the powerful Senate Budget Committee, the rollback proposal drew a "yea" vote from only six of the panel's 23 members. Supporters consisted of two Republicans and four Democrats.

However, Sen. Daniel Patrick Moynihan, who has championed the tax-reduction measure, has indicated that he will bring the initiative before the full Senate by tacking the legislation onto an unrelated spending bill.

FINANCIAL NEWS

Karcher's stock price falls after poor 4th Q performance

by Milford Prewitt

NEWS ANALYSIS

ANAHEIM, Calif — As Carl Karcher Enterprises prepares to unload 40 Carl's Jr. units in Arizona — a market executives blame for the company's worst quarterly loss ever — the company will attempt to bounce back with new expansion and menu diversification.

With equal zeal, Karcher Enterprises expects to complete the systemwide installation of automatic teller machines in all 553 Carl's Jr. units during the year, making it the first chain to give customers the option of having their bank accounts debited when they order.

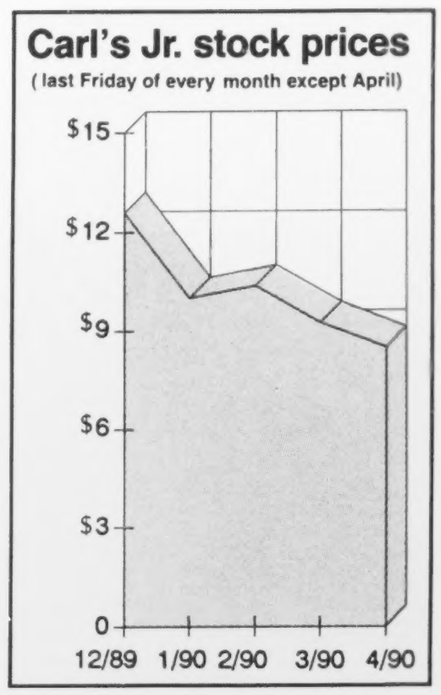
For its fourth quarter ended Jan. 29, Karcher lost $8.9 million, compared with a year-ago profit of $4.1 million. Revenue rose 6 percent, to $118 million.

But the company's annual profit slid 73 percent, to $5.5 million. Karcher Enterprises explained that the loss in profit was largely a result of $14.5 million held in reserve to cover its retreat from Arizona. Annual revenues rose a more vigorous 15 percent, to $511.3 million.

Meanwhile, Karcher's shares have taken a tumble, closing recently at $8.50, 32 percent off its 1989-ending price of $13.50.

Steven A. Rockwell, of Alex. Brown, Balitimore, said that while the restructuring of the Arizona market is a positive development, comparable- store sales and earnings per share "need to improve before the stock's performance picks up."

"The company does have several programs in place that should improve sales and earnings as the year develops,"



Rockwell continued, noting the use of cholesterol-free shortening, the adoption of a "lite" menu and the debit-card program with automatic teller machines in the stores.

Leslie Steppel of Prudential-Bache, said the fourth-quarter results were worse than expected.

"Even on an operating basis, the results were far worse than the 19 cents that we had been expecting (which, when first published, was the lowest estimate on the Street)," Steppel wrote in an alert to clients downgrading the stock. "We no longer have confidence in our $1.05 earnings estimate for fiscal 1991 — again the lowest on the Street before this earnings release — despite assurances by management that such a target remains doable."

Although Karcher has not formally put the stores on the block, shut them down or set any deadlines for pulling out of Arizona, Donald F. Karcher, president and chief operating officer, said the Arizona market is an unprofitable drag on the company, costing annually about $5 million in lost earnings to maintain.

"It has become apparent that the Arizona market does not make economic sense for corporate operations," Karcher said in a statement. "The future investment required would have been prohibitive in view of the expected return.

"Our success in other markets has validated the Carl's Jr. quality concept and market strategies, and we will now focus our resources on our other proven markets."

Karcher Enterprises would like to dispose of the stores through franchising and thereby secure the company's continued market presence. Ideally, the company would prefer franchising to an operator familiar with the market, according to Bob Wisely, who is group vice president of marketing.

What Karcher doesn't want to do is sell the stores off piecemeal, Wisely noted. He conceded that if worst comes to worst, the company might consider exiting the market without a franchise deal, forced to sell out to a concern that may change the concept.

Wisely figures that a franchisee could make a better go of the market because he or she would not have the same costly overhead structure Karcher confronted in having to divide its resources in running not only Arizona units but company stores in more lucrative markets.

Like president Karcher, Wisely disputed the notion that the setback in Arizona and the earlier evacuation from Texas mean that Carl's Jr. cannot succeed outside of California.

"This doesn't alter our growth strategy at all," Wisely

*(See **KARCHER'S**, page 103)*

FOOD PRICE OUTLOOK

Beef prices may drop in late spring

by Patt Patterson

Hooray! Some price decreases are taking place or already have occurred. **Beef** prices are expected to drop later this spring, because there are a lot of cattle in feed lots. However, by the end of summer, at the latest, beef will probably start moving up in price, because recent placements of cattle on feed have been below normal owing to cattlemen holding back animals to replenish their herds.

Broiler production is up, and prices are below last year's. **Egg** prices made their seasonal drop after Easter and are now running about even with last year's.

Brazil is expected to start shipping **coffee**, with good stocks to draw on. Prices should fall, since roasters in this country are now cutting back on purchases and summer is a low-demand period.

Both canned and frozen **green-bean** prices are trending down. Fancy 6/10 cut 4s have dropped from 10 percent to 12 percent over the past 45 days, and prices may continue to slide. Frozen packers have a surplus, not as much as the canners, but prices are dropping for frozen, too.

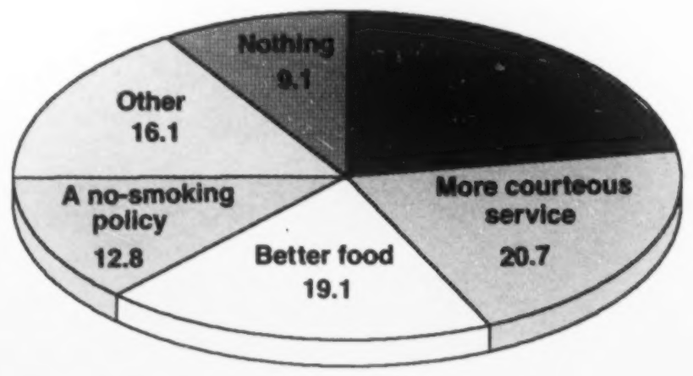
Almond prices are moving down, with greater drops forecast to fall when the big, new crop hits the market. That applies to **pistachio nuts**, too, since this is a big crop year for them. The pistachio crop may break a record. Prices are already slipping.

Red cherry prices will probably stay low. The attempt of the United Cherry Producers Association to get a removal program going to boost prices failed, and the organization is due to be dissolved. Frozen strawberries are coming in from Mexico at a greater rate than was forecast. That should keep prices down, particularly since good supplies are predicted for West Coast berries.

FACT FILE

What diners would like to see at favorite restaurants

(from a survey of 1,000 adults)



Source: Maritz AmeriPoll

FINANCIAL DIGEST

Expansion, efficiencies bolster Shoney's

NASHVILLE, Tenn. — Shoney's Inc. reported that restaurant expansion and efficiency improvements in unit operations triggered a 60-percent increase in first-quarter net income, to $4.7 million, on revenues of $258.4 million, a 7-percent gain, for the period ended Feb. 18.

The company said that the improvements had taken place during a time when it pared down its $585 million recapitalization loan to $390 million and benefited from lower interest expenses from $26.4 million a year ago to $22.6 million for the first quarter.

Same-store sales grew by 4 percent during the quarter.

"These results show our continuing commitment and dedication to achieving outstanding operating results," said Leonard H. Roberts, chairman and chief executive officer in a statement. "They also demonstrate the effectiveness of our increased emphasis on improving same-store sales."

Roberts used the company's quarterly results to restate Shoney's previously announced expansion drive, which the company depicted as "the most aggressive franchising efforts in the restaurant industry." The plan calls for accelerating franchise growth by 500 new restaurants within five years.

At the end of the quarter, the company operated 697 of 1,603 restaurants under the Shoney's, Captain D's, Lee's Famous Recipe Chicken, Pargo's and Fifth Quarter Steakhouse concept brands. In addition, the company operates 55 Shoney's Inns.

Chain expansion boosts Luby's revenues

SAN ANTONIO, Texas — Continued restaurant expansion helped Luby's Cafeterias carve out a 10-percent gain in second-quarter revenues, to $72.9 million, with a 7-percent hike in net income, to $6.9 million, for the period ended Feb. 28.

For the six-month period, the operator of 130 Luby's Cafeterias in the South and Southwest recorded a 10-percent gain in revenues, to $146.4 million, and 7-percent increase in net income, to $14.1 million.

The company has added six new cafeterias during the current fiscal year.

Mullen shelves plan to buy Famous

SCOTTSDALE, Ariz. — Dennis B. Mullen, chairman, president and chief executive officer of Famous Restaurants Inc., has shelved plans to lead a group of investors in acquiring the company.

Mullen told the company's board of directors that, given the generally weak condition of the financial markets, he did not believe he could find the funding.

El Chico cites factors in earnings gain

DALLAS — A combination of factors including tax breaks, menu refinements, a new computer system and improved unit operations contributed to a 9.4-percent increase in net income in El Chico's third quarter, to $151,000, on revenues of $19.3 million, a 6-percent improvement.

For the period ended Feb. 5, the company benefited from reduced tax liabilities and increased margins and franchisee fees.

During the 36-week period that marked the company's fiscal year, revenues rose 6.3 percent, to $59.3 million, with a tripling in three-month net income, to $579,000.

In anticipation of increased labor cost stemming from higher minimum-wage legislation, El Chico has embarked on a campaign to streamline and improve its kitchen operations and has installed a new computer system to give unit managers better control over food costs and labor.

The company operates 57 restaurants, franchises another 27 and operates four theme restaurants.

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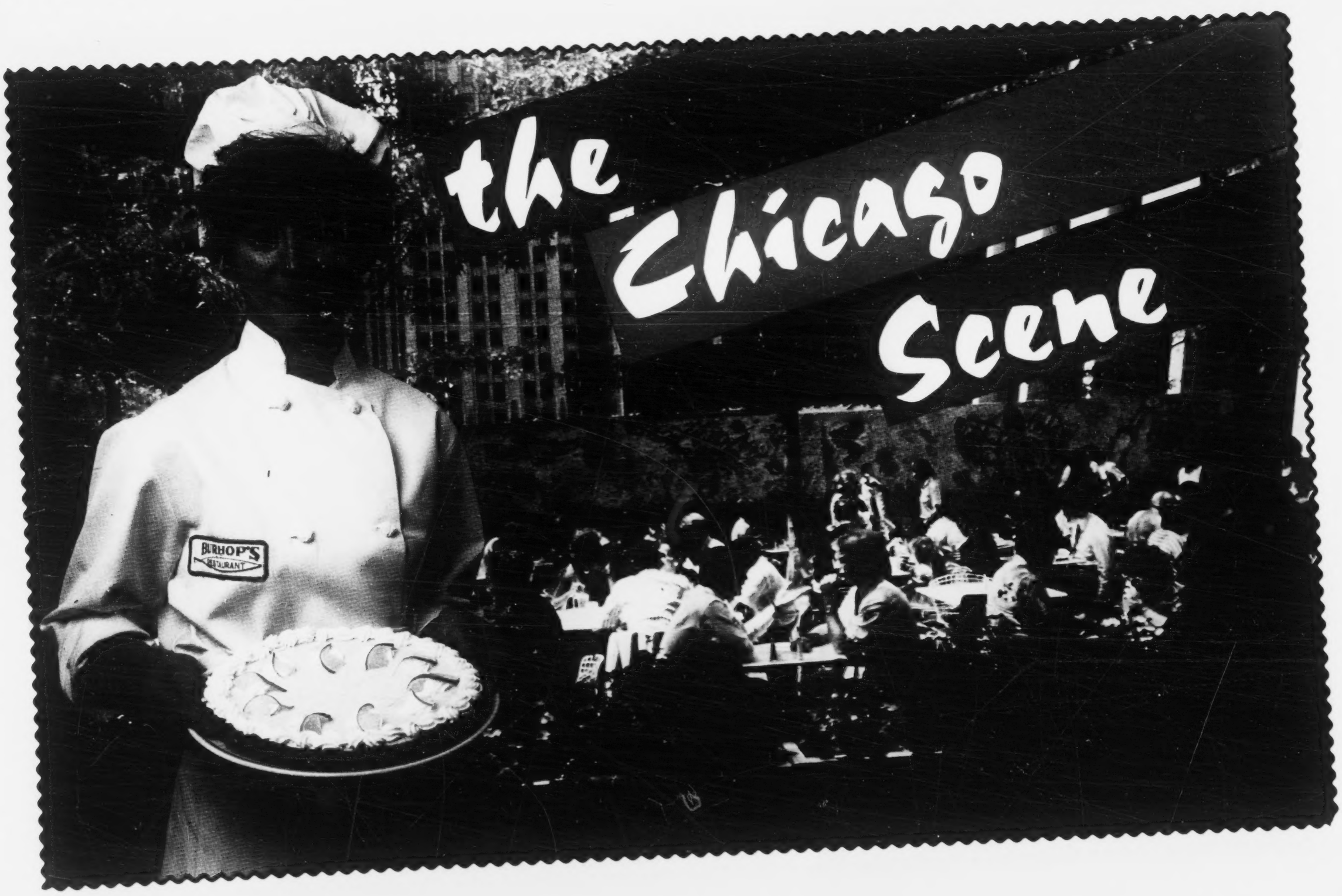
Nation's Restaurant News

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24 No. 20 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | May 14, 1990



INDUSTRY CONVENES FOR 1990 NRA SHOW

Chicago operators work smarter

Facing each other in one of the most competitive markets in the nation, savvy restaurateurs are slowing expansion, revamping existing operations, and branching into areas that require less capital.

Full report . . . . . Pages 37-78
Restaurant Hit List . . Pages 43-54

Show bigger, better than ever

With a host of new exhibits, technological advances, and an increased international flavor, the 71st Annual Restaurant, Hotel-Motel Show may be the biggest National Restaurant Association show ever.

Full report . . . . . Page 59
NRA Show agenda . . . . . Page 62

New faces at NRA helm

With the annual National Restaurant Show comes a changing of the guard at the top of the 10,000-member trade group. The next generation of leaders is an interesting and varied troika.

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Vol. 24, No. 20 May 14, 1990

NEWS BRIEFS

Shoney's operator buys Popeyes franchisee

MACON, Ga. — Restaurant Management Services, a Shoneys franchisee, has acquired Popeyes franchisee Florida Food Industries and, simultaneously, 22 Church's chicken outlets from Al Copeland Enterprises.

Restaurant Management, which operates 35 Shoney's, 13 Captain D's and two Green Jacket restaurants, adds 55 Popeyes units from Orlando, Fla.-based FFI. As part of the agreement with Al Copeland Enterprises, Restaurant Management will convert 17 of the acquired central Florida Church's units to new Popeyes within five years.

Most of FFI's 2,400 employees remain with the new company. FFI's Orlando, Fla., headquarters will be used as a divisional office for Restaurant Management.

Disney opens Mickey's Kitchen

MONTCLAIR, Calif. — The Walt Disney Co. has unveiled its Mickey's Kitchen fast-food prototype — the company's first dining venture outside a theme park — as half of a new, 12,000-square-foot branch of the 50-unit Disney Store retail gift chain.

Replete with 32 animated characters and props in four Disney-themed dining areas, the 177-seat restaurant has served 1,500 to 1,800 customers a day since its April debut, general manager Mike La Rue said. Menu items, priced from 75 cents to $2.95, include Soup-a-Dee-Doo-Dah, Supercalifragi-Chicken Salad, lean-beef Goofy Burgers, a vegetable-and-cheese Pinocchio's Pizza, meatless Mickey Burgers, a peanut-butter-and-jelly P and J Handwich and three Mouseketeer Meal packs.

La Rue said the company expects to evaluate the concept, inside a suburban shopping mall 30 miles east of Los Angeles, for at least one year before developing a freestanding test outlet or expanding to other locations of Disney's rapidly growing retail chain.

Themes of the restaurant's seating areas are Duck Tales; Winnie-the-Pooh country, with its own frozen yogurt bar; Tony's Italian restaurant, from "Lady and the Tramp"; and the Alice in Wonderland tea party.

Congress seeks stiffer child labor fines

WASHINGTON — Confirmation of a sharp rise in child labor law violations has spurred Congress to seek dramatic increases in the penalties levied on employers who violate federal statutes.

Two Democratic Congressmen — Don Pease of Ohio and Charles Schumer of New York — have introduced a bill that would increase some penalties tenfold. A "serious" first-time violation would subject an employer to a fine of $10,000, compared with a current maximum penalty of $1,000. Repeat violations could cost a business $100,000, while infractions resulting in an employee injury could carry a sanction of $250,000.

The lawmakers introduced their bill after releasing a study indicating that the number of illegally employed children leaped 150 percent between October 1983 and the same month of 1989. Drafted by the General Accounting Office, the report attributed the increase in part to a shortage of teen-aged job candidates.

The Labor Department, which is in the midst of a crackdown on child labor law violators, has asserted for some time that the statutes are being broken with greater frequency.

Sizzler licensee forced to sell outlets to company

CHICAGO — A clause in a guaranteed loan has forced a Sizzler franchisee, embroiled in a federal court battle with Sizzler International, to sell 12 of its 21 units to the company.

Sizzler International will pay approximately $3.5 million for the dozen Sizzler units in suburban Chicago operated by Midwest Restaurant Concepts. MRC is an affiliate of FBN Food Services, a nine-unit operator in Chicago with a $25 million breach-of-contract suit against the company.

Tony Basile, president of both franchisee concerns, asserted that Sizzler wrote a letter to his bank, falsely accusing his company of imminent financial collapse, an unfair charge that caused the bank to activate the clause out of fear of losing money.

Thomas Gregory, president of Sizzler, said the company wrote the letter as part of Sizzler's role as the guarantor and had knowledge about Midwest's financial condition the bank should know.

LA schools kill 'junk-food' ban

LOS ANGELES — Faced with a potential $10 million cafeteria budget deficit and the layoffs of 100 food workers, the Los Angeles Unified School District has lifted a 10-year-old ban on the sale of fatty and sugary packaged snacks in school lunch rooms.

The snacks, including potato chips, cookies, sodas and ice cream, are expected to generate sales of several million dollars a year, school board officials said. The board reluctantly authorized the sale of the so-called junk foods in response to rising cafeteria operating costs, reduced federal subsidies and new policies permitting the items to be sold on campus in student-run stores. Ironically, in January California became the first state to mandate limits on fat, saturated fat and cholesterol in meals served at elementary and high schools.

Anti-bacteria radiation use approved by FDA

WASHINGTON — The Food and Drug Administration has approved the use of radiation to kill harmful bacteria in poultry.

The procedure would lessen restaurant patrons' risk of contracting an illnesses from chicken and turkey dishes.

However, poultry processors said they are reluctant to embrace irradiation because some consumers fear that the process itself is harmful. They allege that the radioactive rays which kill bacteria in food can also promote the formation of toxic chemicals.

The FDA has said that those fears are ungrounded.

Bergren exits Round Table Pizza

SAN FRANCISCO — Round Table Pizza Inc. has no immediate plans to replace chairman Scott Bergren, who recently resigned to pursue other interests, a company spokesman indicated.

Doug Rice, communications manager for the 550-unit San Francisco-based pizza chain, said the company was being overseen by president Jim Fletcher. Rice said Round Table's average annual sales per store rose nearly 8 percent, to $545,000, during Bergren's short tenure as chairman.

Bergren, who was promoted from president to chairman in early 1989 following the resignation of Richard Dumke, could not be reached for comment. Fletcher, formerly the chief operating officer of a soft-drink company and part of the start-up management team for Round Table's unsuccessful and short-lived Bonza Tucker chicken chain, was named president when Bergren became chairman.

Old Spaghetti Warehouse settles copycat suit

GARLAND, Texas — Old Spaghetti Warehouse Inc., operator of 13 Italian dinner houses nationwide, has settled two lawsuits brought against it by OSF International, parent company of the Old Spaghetti Factory restaurant chain.

Under the terms of the agreement, OSW agreed to cease using the word "old" in its signs, trade names and service marks and will propose to its shareholders to change its corporate name to The Spaghetti Warehouse Inc.

The company also agreed to display signs on its menu and in the entrance of each store disclaiming any association between OSW's and OSF International's restaurants and remove any mention of "mytzithra" cheese from its menu.

The settlement also calls for OSW to pay OSF International $400,000 in cash. Robert Hawk, president of OSW, said the payment would be covered by insurance and would have no effect on OSW earnings.

FINANCIAL NEWS

McD takes international road for growth opportunites

by Milford Prewitt

OAK BROOK, Ill. — There are nearly three McDonald's restaurants in the United States for every one overseas.

In the precise world of a statistician, the ratio is 2.6 to 1, or as the company reports, 8,289 domestic Golden Arches to 2,916 internationally.

But despite the domestic numerical superiority, sales from the hamburger giant's overseas markets grew more than three times faster than at home and were half of the U.S. systemwide sales output during the first quarter.

Reporting earnings for the quarter ended March 31, McDonald's called attention to its achieving its 100th consecutive quarter of record year-to-year increases in operating results — the first company tracked by the Standard & Poor 500 to have done so.

But what the quarterly report shows more vividly is that the gold mine called McDonald's International is getting richer and richer.

Systemwide sales topped $4.28 billion during the quarter, a 9-percent increase over the year-ago time period. Domestic operations — company, franchisee and affiliates — contributed $2.86 billion to the total for a 5-percent increase.

The overseas outlets' sales volume grew 18 percent, to more than $1.42 billion — about one-half less than the domestic tally.

Even more telling are the comparisons in the rate of sales growth between franchisee and company operations domestic and international.

Company restaurant sales grew a flat 1 percent in the States but 25 percent overseas. Franchisee stores showed a 6-percent gain in domestic sales, but their counterparts overseas basked in a 20-percent rate of sales growth.

Only affiliate operators in the States did better than affiliate operations overseas, turning an 11-percent sales gain vs. a 4-percent increase internationally.

McDonald's major foreign markets
(number of units as of March 31)

	1990	1989
Japan	707	658
Canada	610	574
England	321	290
West Germany	319	298
Australia	244	228
France	115	85
Other	600	506
Total	2,916	2,639

Source: McDonald's Corp.

Analysts note several reasons that explain the stronger rates of McDonald's growth internationally. Among them are access to much larger customer bases, a dearth of competition and higher inflation rates in foreign countries.

But the company attributed the impressive sales gains overseas and in Canada to stronger currency valuations, increased market penetration by existing stores and expansion.

In first-quarter company results, McDonald's made a $158.1 million profit, a 12-percent increase, on revenues of $1.5 billion, for an 11-percent increase. Sales from company operations overseas hit $504.2 million contrasted with $637.2 million at home.

McDonald's five strongest markets outside of the United States — Japan, Canada, West Germany, England and Australia — all reported double-digit sales increases. Some secondary markets — Brazil, France, Spain, Switzerland, Hong Kong and Mexico — also recorded strong sales gains.

The company noted that if exchange rates had remained equal to 1989 levels, systemwide sales would have been $31 million greater.

As was the case with systemwide sales, McDonald's market outside of the United States is also growing faster in store count.

The chain grew by 10 percent outside of the country vs. 4 percent inside. International franchisees added 106 restaurants for a 10-percent rate of growth, while franchisees at home added 364 new stores for a 6-percent increase.

Company outlets at home actually declined 1 percent, to 1,716 outlets, but grew internationally by 99 units, for a 12-percent increase.

"Our growth strategy focuses on three opportunities: adding restaurants, maximizing sales by existing restaurants and improving international profitability," said Jack Greenberg, McDonald's senior executive vice president and chief financial officer, in a statement. "This growth strategy has been in place for quite some time and will support future growth. We will continue to add more than 600 restaurants annually for the next several years."

FOOD PRICE OUTLOOK

Bacon, ham prices may rise

by Patt Patterson

There are fewer pork bellies in storage than had been anticipated, so **bacon** prices probably won't come down for some time. Although farmers have indicated that they plan to step up hog production, the increase doesn't seem to be very steep and there is a strong export demand for bellies, from which bacon is made. Some observers expect bacon prices to move up this spring.

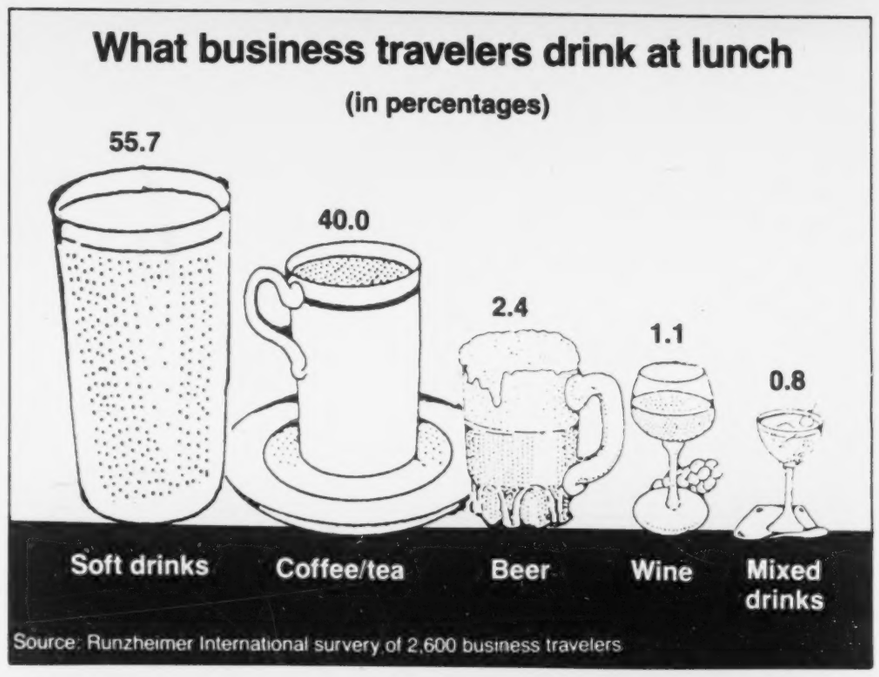
Ham prices are also expected to stay up for some time, particularly for imported hams, which may be in for another rise soon. Imports have been lagging, particularly from Poland. Denmark has been sending us more, but Yugoslavia's shipments have been down. Overall, there were only about 75 percent of the normal imports so far this year. We see no sign of any great change in import volume, at least to summer.

Cheese, as predicted, has started to move up again but earlier than normal. The government's dairy herd reduction program is primarily to blame, with increased demand also playing a part. Some observers expect even more price hikes between now and the end of summer, although that is when ample milk supplies are generally available. Price rises were mainly in Cheddar, although Mozzarella was expected to follow.

Eggs, on the other hand, are down from last year's level and from the seasonal peak they hit just before Easter. **Broiler** prices are trending down to last year's at about this time. However, producers are keeping a lid on hatches, so don't expect any bargains soon.

Look for tighter supplies of Southern peaches this year. A cold wave in late March hit the Carolina, Georgia area hard.

FACT FILE



FINANCIAL DIGEST

Tougher rules proposed for going public

WASHINGTON — The Securities and Exchange Commission is reviewing a series of proposed requirements that will make it more difficult for new or small companies to go public.

Ironically, the rules were proposed by the National Association of Securities Dealers, an influential group that has helped thousands of start-up companies market newly issued securities.

The new rules will require higher asset values and higher initial stock prices from companies that want to have their issues listed on NASDAQ, the automated trading system for the over-the-counter market.

Under the proposals, companies launching an initial public offering would need at least $4 million in assets, $2 million more than is currently required, and would mandate a minimum bid price of $3 per share.

Holiday Inns to lay off 600 worldwide

MEMPHIS, Tenn. — Holiday Inns Inc. said it would lay off 600 people worldwide in a move to improve the company's profitability and prepare for expansion.

A division of Bass PLC, Holiday Inns said 450 of the reductions will come from two divisions: The hotel service operation, which is responsible for sales, purchasing and drapery design, will fire 260 people, and the Holiday Clubs sales force of 190 people will be completely disbanded.

In addition, the corporate headquarters staff will be trimmed by 50 persons. Holiday Inns International will similarly lose 80 jobs.

The company stated that the streamlining will allow its U.S. operations to split into company-managed hotels and franchise support services.

Memphis will remain the company's U.S. headquarters.

Hardee's operating earnings jump 81%

ROCKY MOUNT, N.C. — Hardee's Food Systems Inc. said the continued rollout of labor-saving equipment and other cost controls contributed to an 81-percent jump in first-quarter operating earnings, to $6.8 million.

Revenues for the quarter ended March 31 rose 9 percent, to $357.5 million, and systemwide sales increased 10 percent, to $847.2 million. The company said sales were boosted by its new lightly seasoned, curled french fries, the reintroduction of its Big Twin double-burger and a Lenten promotion of fish products.

Meanwhile, the company has completed its acquisition of 648 Roy Rogers restaurants from Marriott Corp. for $365 million. Neither costs of the acquisition nor Roy Rogers figures are included in the first-quarter results.

Montreal-based Imasco Ltd., Hardee's parent, said its first-quarter net earnings increased 23 percent, to $66.6 million (Canadian), on a 15-percent gain in revenues, to $1.41 billion (Canadian). A Canadian dollar is worth about 84 cents U.S.

Fisher trims loss to $1.2 million

ATLANTA — Fisher Business Systems Inc., a producer of restaurant computer systems, narrowed its net losses to $1.2 million in the year ended Jan. 31, an improvement from the $1.8 million deficit in 1989. Revenue, meanwhile, gained 80 percent, to $5.7 million.

During the year Fisher installed its management system in 200 restaurants, including more than 100 Denny's outlets as part of a deal involving 300 Denny's over 30 months.

For the final quarter, the company lost $671,100, compared with a year-ago shortfall of $503,750. The quarter's revenue advanced 138 percent, to $1.5 million.

Newly opened sales offices added to overhead expense in the final quarter, the company said.

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NRA SHOW ISSUE

Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 21 | Published every Monday by Lebhar-Friedman Inc.,$3 per issue | May 21, 1990

Operators see red over 'greening'

Restaurateurs support recycling but chafe at blame in solid-waste crisis

by Paul Frumkin with bureau reports

As the dust finally settles on Earth Day 1990, operators across the country are digging themselves out from under an avalanche of environmentally related legislation.

While the national legislative landscape is relatively quiet with regard to "green" issues, scores of bills, amendments, referenda and ordinances at the state and municipal levels are keeping restaurateurs and their associations lobbying long and frustrating hours in local statehouses and city halls.

Although most operators agree that the problem is serious and have broadcast their support for pro-environmental efforts — notably recycling — they resent being singled out because of the industry's high visibility.

"We recognize it [the environment] as a serious issue and want to take responsibility for our part," declared Marcia Harris, executive vice president of the Restaurant Association of Maryland. "But don't single out the restaurant industry. Let's look at the whole problem."

'Green' issues: State by state

See page 7

Clearly, the solid-waste issue has dominated much of the debate in recent months, with dozens of recycling bills and initiatives being championed by well-intentioned lawmakers attempting to deal with the growing mountain of trash and shrinking number of landfills.

"We've seen enormous changes in solid-waste management laws over the past two years," said Denise Lord, director of planning for the Maine Waste Management Agency.

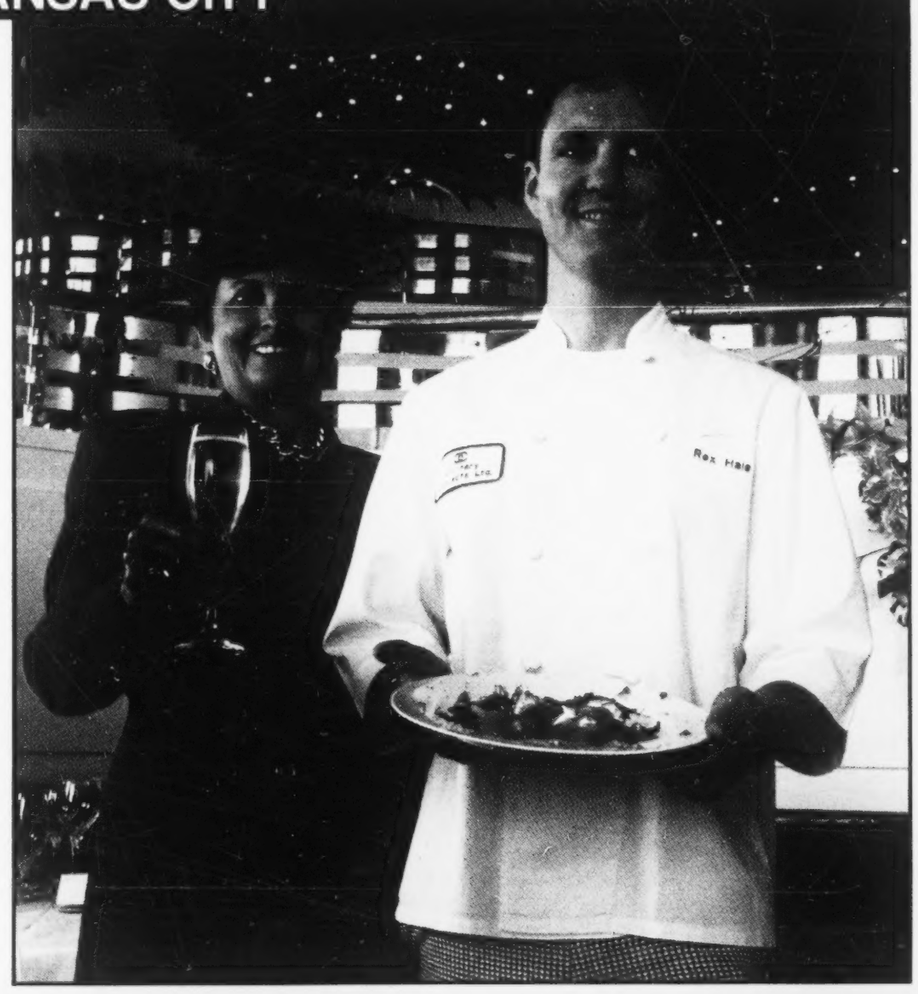
Meanwhile, plastics and the non-biodegradability issue continue to be a thorn in the industry's side. Despite an ongoing effort on the part of the plastics and foodservice industries to battle widespread misinformation, the public continues to target plastic food packaging as a major culprit in the landfill crisis.

*(See **OPERATORS**, page 171)*

UP TO DATE IN KANSAS CITY

The American Restaurant reopens

Unveiled after a four-month overhaul, The American Restaurant in Kansas City appears ready to reclaim its role as a national fine-dining pacesetter. Says Deanna Hormel, at left, president of the Hallmark Cards division that owns the restaurant: 'We are betting there will always be a demand for the finest of dining experiences.' At right is executive chef Rex Hale. (For full report, see page 4.)



Spit-roast chicken concepts take wing

Fired by health, taste, takeout trends

by Jack Hayes

Warmed by the nation's love affair with chicken and nourished by its growing nutritional awareness, a new flock of rotisserie restaurants is hatching from Boston to San Francisco.

Serving birds in combination with an assortment of vegetables, salads and desserts for sit-down and takeout dining, rotisserie chicken concepts are already operating in at least seven states — Georgia, Florida, Massachusetts, Connecticut, Michigan, California and Kentucky.

Using either electric or flame-fired ovens built by domestic and European equipment suppliers, the new rotisserie operators are repopularizing one of the earliest of cooking methods — slowly spit-roasting and basting chicken in its own juices.

The process browns the chicken on the surface while allowing it to retain much of its natural juiciness. Some operators add flavor by marinating the chickens before cooking, while others add seasonings, spices and herbs.

But while the preparation method differs slightly from concept to concept, operators are unanimous in declaring

*(See **ROTISSERIE**, page 172)*

McD, BK leaders share spotlight at MUFSO

MUFSO '90

LOS ANGELES — Edward Rensi, president of McDonald's USA and chief operations officer of McDonald's Corp., and Barry Gibbons, president and chief executive of Burger King Corp., will be the headline speakers Tuesday, Oct. 2, at Nation's Restaurant News' 31st annual Multi-Unit Foodservice Operators (MUFSO) conference in the Century Plaza Hotel.

Rensi, McDonald's leading executive spokesman on key industry issues, has been adamant in his commitment to find solutions for solid-waste problems and in his defense of McD against attacks by health and nutritional groups. He has seized the initiative on these issues and emphasized McD's strengths in each area.

Gibbons, who became BK president in January 1989 after Grand Metropolitan of London's acquisition of then-BK

*(See **MUFSO '90**, page 4)*

INSIDE

Fast feeders look toward healthful fare
Marketing/Page 12

Antidote for customer rebellion
Charles Bernstein/Page 53

IFMA honors Silver Platers
Focus/Page 56

Foodservice backs family-leave veto

by Peter Romeo

WASHINGTON — President Bush has pledged to veto pending legislation that would require restaurateurs and other employers to grant 12-week leaves to employees contending with a birth, death or serious illness in their families.

Although the staffers would not be paid during their absences, their health benefits would be maintained at the employer's expense. In addition, the employees would be entitled to their former jobs or comparable positions when they decided to resume working.

A national family-leave law would cost employers $330 million during the first year following enactment, according to the General Accounting Office, Congress' quasi-independent watchdog agency.

The foodservice industry has bitterly opposed family leave legislation because even

*(See **FAMILY**, page 169)*

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.
Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 21 May 21, 1990

NEWS BRIEFS

Arby's to unveil new concepts, bids for pizza

ATLANTA — Arby's Inc. is set to launch tests of two new concepts and is negotiating to buy the small Nunzio's Express pizza chain in a drive to diversify beyond its 2,250-unit roast beef sandwich chain.

Arby's plans to open Roadhouse Ribs, a full-service, stand-alone barbecue concept, in Cleveland this July. Frankie's Starlight Grill, a '50s-theme concept offering typical soda fountain fare, such as hot dogs and hamburgers, is slated to open about the same time in a Cleveland shopping mall. Both test units are located in converted Beef Corral outlets.

Meanwhile, Arby's is trying to buy Albuquerque, N.M.-based Nunzio's Express, a one-minute drive-thru pizza concept owned by Frank, Nick and Tony Casale. An initial offer for the concept was rejected by the Casales, Arby's president Frank Belatti confirmed, adding, "We're still negotiating."

"We're trying some different things; we're still out there shopping," Belatti indicated. "It's part of our long-term strategy to give franchisees other alternatives in markets where there are a lot of Arby's."

Food cost inflation slows; sales growth softens

WASHINGTON — Wholesale food costs rose in April by the smallest year-to-year increase logged thus far in 1990, while restaurant sales growth softened after two months of strong gains, according to government reports.

The producer price index, the Bureau of Labor Statistics' monthly tally of wholesale prices, reported that finished consumer foods rose 4.7 percent in April in annually unadjusted comparisons.

In March and February wholesale food prices rose 4.9 percent and 6.1 percent, respectively, in year-to-year comparisons.

The Census Bureau's monthly retail sales report, meanwhile, showed that sales at eating and drinking places climbed 5 percent over those of April 1989 in unadjusted comparisons.

April's annual rate of growth pales compared with the 6.8-percent sales gain recorded in March and the 5.9-percent sales increase noted in February.

Church's rolls Foot-Long Chicken Sandwich systemwide

JEFFERSON, La. — Church's Fried Chicken, a subsidiary of Al Copeland Enterprises Inc., has launched a Foot-Long Chicken Sandwich systemwide.

The new sandwich, which was originally tested in the New Orleans market, consists of two 6-inch breaded and fried chicken filet patties served on a roll with lettuce, pickles and flavored mayonnaise.

The permanent addition to the Church's menu, selling for $1.99, is available in all 375 franchised and 756 company-owned stores.

The new menu item is the first addition to the Church's menu since being acquired by Al Copeland Enterprises Inc. in March 1989.

California bill seeks tableware inspections

SACRAMENTO, Calif. — California lawmakers are considering a bill that would require regular inspections of the ceramic and enamel-coated tableware used in restaurants and sold by retailers to ensure that those products do not leach lead at unsafe levels.

Ingestion of lead can cause health problems and is known to be harmful to a child's developing brain and nervous system.

The proposed law was prompted by concerns that the U.S. Food & Drug Administration's lead-leaching standards are not restrictive enough and by concerns that the FDA is lax in its testing for lead in tableware.

The bill's sponsor says recent tests of tableware in San Francisco restaurants and stores found at least 21 samples that exceeded federal lead-leaching standards.

If passed in its most recent form, the bill would empower the state Department of Health Services to seize and destroy unsafe tableware. The measure would also require the agency to develop lead-leaching standards that are "more protective" than the existing federal guidelines.

Manhattan McD offers bagels

NEW YORK — In a nod to local preferences, a franchised McDonald's unit here has added bagels to its breakfast menu.

Banners festooning the unit, on West 57th Street, proclaim that the doughy rounds are "baked in our own ovens." The bagels are available with butter, for 85 cents, or cream cheese, for $1.25.

The burger giant, once a stickler for menu uniformity, has been permitting franchisees to buttress the chain's core listing with a number of regional favorites. Units in the Midwest, for instance, have featured a fish-fry platter. Restaurants in Texas have been offering a breakfast taco.

A Texas licensee was also permitted to test fried-chicken-on-the-bone, but that effort was discontinued.

McDonald's recently expanded its chainwide breakfast menu through the addition of apple bran muffins and cold cereals.

Minnesota passes wine bottle law

MINNEAPOLIS — Minnesota has passed a law that permits restaurant patrons to take home an opened bottle of wine if they fail to finish the whole thing with their meal.

The legislation was introduced and shepherded into law by the Minnesota Licensed Beverage Association, which asserted that the measure would discourage drunken driving. The measure removes the incentive to finish a whole bottle of wine before driving home, MLBA lobbyists argued.

Under the law, which took effect on May 5, restaurant patrons who buy a bottle of wine to drink with their meal can recork the container and leave with a partially full bottle. However, if the consumer is leaving the site in a car, the wine vessel has to be stored in the vehicle's trunk.

Taco Bell rolls pita-based taco

IRVINE, Calif. — Taco Bell has introduced a 79-cent "Pocket Taco" in a pita bread shell at its 3,100 units nationwide.

The item contains the ground beef, lettuce and Cheddar cheese of the chain's standard 59-cent taco recipe as well as diced tomato and sour cream. Adaptation of the pouchlike Middle Eastern pita as a spill-proof taco container is the chain's first use of the bread product, which was popularized by Jack in the Box's highly successful Fajita Pita line.

Taco Bell spokesman Elliot Bloom said the Pocket Taco rollout, supported with television commercials, was scheduled to be the company's last new-product launch this year. A breakfast line is scheduled for introduction in 1991.

Vie de France launches line of sous-vide products

MCCLEAN, Va. — Vie de France, the French-owned bakery and restaurant company based here, has launched a sous-vide line of products.

Prepared in its newly constructed 30,000-square-foot plant in Alexandria, the sous-vide items will be both used in the company's own units and sold to other hotels and restaurants. The company's first major use of the product within its restaurants will be in its new 200-seat café in National Airport in Washington, D.C. About 45 percent of the menu is expected to be made up of sous-vide items.

Some of the hot entrées include rack of lamb, red snapper with tarragon sauce, steak au poivre and boneless center cut of pork with sweet and sour sauce.

Vie de France's sous-vide line currently includes 23 selections, although the number is expected to increase to 60 in two months.

FINANCIAL NEWS

Copeland struggles under debt from Church's takeover

by Peter O. Keegan

JEFFERSON, La. — Trapped in a stormy sea of debt and pounded by waves of increasingly large loan payments, Al Copeland is struggling 14 months after buying Church's chicken chain.

Copeland, chairman of Al Copeland Enterprises Inc., which operates and franchises more than 1,900 Popeyes and Church's fried-chicken restaurants, is battling to reduce the company's debt load — a result of the $445 million in loans he secured to buy Church's in March 1989.

Al Copeland and Al Copeland Enterprises chief financial officer, Bucky Kilbourne, declined to comment.

Faced with operational problems, the collapse of the junk bond market and his inability to quickly sell Church's units to franchisees, Copeland has refinanced his loans to reduce interest expenses, which are reportedly more than $150,000 a day.

As of Dec. 31, 1989, the debt stood at $404.6 million. Copeland borrowed $445 million from Merrill Lynch and the Canadian Imperial Bank of Commerce to finance the $392 million purchase of Church's.

In its April 5 10-K filing, the company reported an annual 1989 loss of $35.8 million, compared with net earnings of $2.6 million for the year ended Oct. 30, 1988.

By some indications, the company emerged as a rapidly growing enterprise, the annual filing showed. Revenues quadrupled, to $414.7 million, for the year, while the company's asset value soared nearly 700 percent, to $584.3 million.

Moreover, Church's units converted into Popeyes experienced an 80 percent jump in average unit volume, according to the company's financial statement.

Al Copeland

Paying $55.6 million in interest payments wiped out profit and left the company with the loss.

But paying $55.6 million in interest payments wiped out profit and left the company with the loss.

Copeland has won another 15 months to pay Merrill Lynch the outstanding $140 million he owes on a $173 million bridge loan. Originally, that loan was scheduled to be paid off on March 21, but Copeland didn't make the deadline.

Copeland intended to pay off a large chunk of the bridge loan payment with junk bonds, but the instability of the junk bond market forced him to look elsewhere for financing.

In February, Merrill Lynch attempted to put together a private placement, a package of junk-bond-type notes that are sold to sophisticated institutional investors.

Copeland is reportedly still trying to negotiate for $110 million in private placement notes, similar to junk bonds, carrying a five-year maturation date and a 15.5-percent interest rate, but he could not come up with anything solid by the March deadline.

Instead he renegotiated the loan with Merrill Lynch — while continuing his effort to refinance the bridge loan and a portion of its bank financing.

Terms of the renegotiation state that the bridge loan matures on June 30, 1991. Relatedly, the loan's interest rate has been reduced from 18.73 percent to 18 percent.

A clause also states that, "if certain conditions are met, the maturity date will be automatically extended to March 21, 1995." The filing did not state what those conditions might be.

In addition to the bridge loan, Copeland faces a massive $285 million term loan secured from the Canadian Imperial Bank of Commerce. That loan helped pay down the bridge loan and pay off an initial CIBC tender loan of $225 million.

According to the Securities and Exchange Commission filing, initial installments on the term loan, which now stands at $258 million, have been changed.

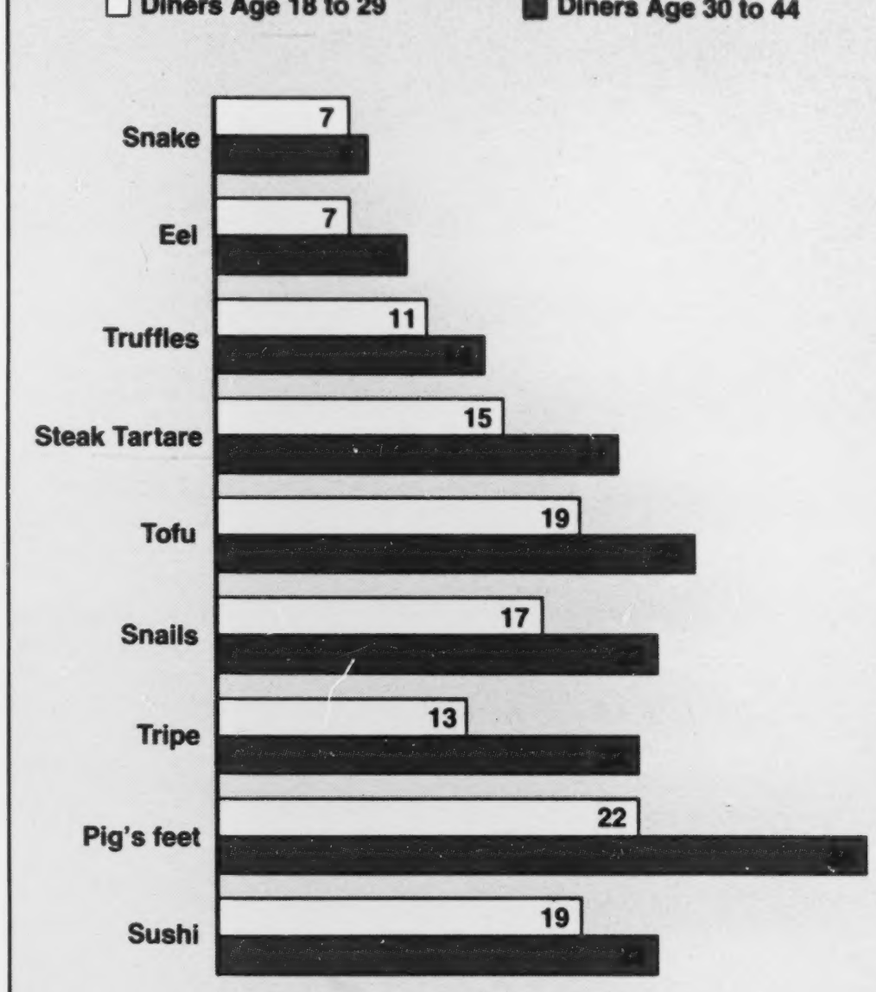
The second payment, due on Sept. 21, 1990, has been changed from $15 million to $7.5 million. The $7.5 million that was deferred from the 1990 payment has been added to the last payment of $48 million, due on Sept. 21, 1993,

*(See **COPELAND**, page 171)*

FACT FILE

Older diners have tried more exotic foods than younger diners

(percent of adults who have tried the following foods)



Source: The Roper Organization, New York.

FINANCIAL DIGEST

Pepsico earnings up 39%

PURCHASE, N.Y. — Pizza Hut retained its crown as the Pepsico restaurant group's biggest profit generator, but Kentucky Fried Chicken equaled its sister operation's rate of profit growth in the first quarter, posting one of its best quarterly performances in years.

Pepsico's restaurant group's earnings jumped 39 percent worldwide, to $91 million, on a 22-percent sales increase, to $1.3 billion, for the quarter ended March 24.

Kentucky Fried Chicken overcame a sustained period of lethargy to tie sister chain Pizza Hut's percent of growth with a 37-percent leap in profit, to $23.5 million, on a 15-percent rise in sales, to $322.7 million. Comparable-store sales rose 5 percent as a result of increased customer visits, successful promotions and new products.

Taco Bell enjoyed the highest rate of earnings growth with a 48-percent rise, to $16.4 million, on sales of $356.3 million, a 27-percent increase — gains the company attributed to increased customer traffic and margin improvement.

The Pizza Hut division turned in a 23-percent increase in sales, to $633.5 million, with earnings in excess of $51.1 million, stimulated, the company said, by unit expansion with delivery capability.

Sysco's 3rd-Q profits rise 27 percent

HOUSTON — Citing a real sales growth of 9 percent, the Sysco Corp. said third-quarter earnings jumped 27 percent, to $28.5 million, on a 9-percent sales increase, to $1.9 billion, for the quarter ended April 30.

For the first nine months, sales totaled $5.6 billion, or 12 percent more than volume that had been recorded through the third quarter of fiscal 1989. Net income was $93.8 million, a 23-percent increase when compared with the $76.1 million earned the prior year.

John F. Woodhouse, who is Sysco's chairman and its chief executive officer, explained that the company's internal measure of annualized food price inflation had remained at slightly less than 3 percent during the quarter, as a result of the lingering effects of the severe December weather, which limited the supplies of some products.

Sysco also reported that a major new facility in Los Angeles has been completed and consolidation of the two companies serving that market was concluded before the end of the quarter. Sysco's two Pittsburgh companies are in the final states of merging operations into a recently constructed distribution center and a new facility in Phoenix. Ariz., is scheduled to be fully operational by late May.

FOOD PRICE OUTLOOK

Pork prices head higher

by Patt Patterson

Pork prices are running almost 10 percent higher than last year's at this time and are near record highs. The reason: Farmers produced smaller numbers of litters last fall.

Over the summer prices could hit a record. However, increasing numbers of swine should be available in the fall, when supplies traditionally increase, lowering prices but probably not as much as operators would want.

Beef, on the other hand, is expected to show a seasonal decrease in price during the latter half of June or July. Feedlots placed a large number of animals on feed last fall, and they should be hitting the market during the early part of the summer. Prices are likely to hold through the end of summer, observers say.

Lamb and **mutton** supplies at the end of the first quarter were about 30 percent higher than they were a year earlier. And slaughter is leading last year's figure. But prices haven't changed much.

Frozen **cod** blocks, which are made into portions, are still in short supply, with no signs of greater volume in the near future. The price, however, has stayed fairly stable for the past few months and seems to be resisting increase.

Eggs are down about 10 percent from last year's figure at this time, and some observers believe they will slide further during the summer. **Broiler** prices are down about 20 percent from the year-ago figure. Producers hold production at a rate from 5 percent to 7 percent over last May's results.cw0

Green **coffee** bean prices have trended up since mid-winter, and Colombian beans are bringing a strong premium over Brazilian coffee. Unsettled conditions in both countries are causing the increases.

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 22 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | May 28, 1990

NRN Photo

Customers place their orders at Mickey's Kitchen. Inset: General manager Michael LaRue.

Lunch is on the mouse: Disney draws crowds at Mickey's

by Richard Martin

MONTCLAIR, Calif. — Leave it to Mickey Mouse, Donald Duck and their increasingly retail-oriented bosses at Walt Disney Co. to draft plans for a lucrative, new fantasy land in the world of foodservice.

Gastronomically, Mickey and his beloved cartoon mates are best known to date for helping to feed mass quantities of calories — an estimated $506 million worth last year — to captive multitudes of the Disney faithful at theme parks and resorts on both coasts.

But Disney has now enlisted management veterans of such chains as Rusty Pelican, Burger King, Kentucky Fried Chicken and Long John Silver to fine-tune a new restaurant prototype that could evolve into a potent force in the industry's fast-food mainstream.

Mickey's Kitchen, Disney's first restaurant outside a theme park, opened here in late April to capacity crowds as half of the newest Disney Store branch, the 50th outlet in the company's fast-growing chain of mall-based gift shops. The combination fast-food cafe, Toontown diner and frozen yogurt bar is located in the huge Montclair Plaza mall, 30 miles east of downtown Los Angeles.

Disney officials said they may wait a year or more before deciding whether to expand Mickey's Kitchen into other retail branches or to develop it as a freestanding chain.

A veritable Disneyland of dining, the 6,000-square-foot restaurant has four themed

*(See **DISNEY**, page 49)*

Syndicate bids to buy Marriott restaurants

Sizzler leads group in effort to acquire 434 outlets

by Milford Prewitt

NEW YORK — Sizzler Restaurants International said it is leading a group of companies that are jointly bidding for all or some of the 434 restaurants the Marriott Corp. has for sale.

Thomas Gregory, president and chief executive officer of Sizzler, disclosed during a financial analysts conference here that Sizzler has teamed up with a "syndicate" of other companies to bid on the remains of Marriott's restaurant empire.

Gregory would not state how much the group had offered, nor would he identify the members of the group. But Metromedia, the Secaucus, N.J.-based operator of the Ponderosa and Bonanza steakhouse chains and normally competitors of Sizzler, was reportedly its partner in the deal.

The legal department of Metromedia, which handles press inquiries for the company, did not return phone calls.

Meanwhile, Marriott Corp. confirmed that Sizzler is among the bidders for its restaurants but emphasized that it was entertaining offers from "numerous parties" and that it had not narrowed the field.

"Marriott is not in active negotiations to sell its restaurants to a syndicate including Sizzler," said Terry Souers, vice president of corporate information, reading from a prepared response to Gregory's comments. "No decision to negotiate with any single party has been made."

Sizzler's previously unpublicized interest in buying Marriott's restaurants surfaced during the Lipton Research Food Service Conference at the Grand Hyatt Hotel, sponsored by Ladenburg Thalmann & Co., a Manhattan investment research firm.

Uno Corp., the Waltham, Mass.-based operator of the Pizzeria Uno chain, is separately bidding to acquire some of Marriott's restaurants as well, conference sources reported.

Pizzeria Uno declined to comment.

Marriott's Souers would neither confirm nor deny

*(See **SIZZLER**, page 4)*

Stetson tops Burger King USA

by Peter Romeo

MIAMI — Grand Metropolitan PLC has tapped Robert J. Stetson, an alumnus of the conglomerate's Pearle Optical franchise chain, to assume responsibility for Burger King's 5,400-unit domestic operation.

Stetson, 39, has also served as a high-level executive of Pizza Hut and its parent company, Pepsico, the nation's largest foodservice company.

"Bob has proven financial and management abilities as well as considerable experience in franchising and fast food," Barry Gibbons, Burger King's chief executive, said in the statement announcing the personnel change.

Stetson's promotion from chief financial officer to chief operating officer fills the void left by the departure, several months ago, of Ron Petty, who had overseen Burger King USA for several years. Neither Petty nor Grand Metropolitan wished to continue their relationship, Gibbons said at the time.

Petty served as both president and chief operating officer of Burger King's U.S. operations. The president's

*(See **STETSON**, page 49)*

INSIDE

Should suppliers operate restaurants?
Charles Bernstein/Page 21

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Brinker back to lead MUFSO presidents panel
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Pizzeria Uno eyes retail expansion

New processing plant speeds production

by Paul Frumkin

BOSTON — After quietly marketing a retail pizza product in New England supermarkets for the past two years, Pizzeria Uno is gearing up to expand that side of its business.

PIZZERIA UNO RESTAURANT & BAR

The 74-unit casual restaurant chain is acquiring a 6,500-square-foot processing plant in the Boston suburb of Methune that will allow it to step up production as well as expand its fresh deep-dish pizza line, said Craig Miller, Pizzeria Uno's president and chief operating officer.

Miller said the company should close the deal by the first week in June.

Previously, Pizzeria Uno had been offering only a fresh Chicago-style deep-dish cheese pizza — its signature item. The acquisition of the

*(See **PIZZERIA**, page 49)*

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 22 May 28, 1990

NEWS BRIEFS

Houston waiter wins settlement in AIDS case

HOUSTON — A waiter fired by a restaurant three years ago was the victim of AIDS discrimination, a Houston federal jury has determined.

Ronald Gardner, formerly a waiter with the Rainbow Lodge here, was awarded $60,000 in back wages dating from his April 1987 dismissal from the restaurant.

In a separate matter the judge also awarded Gardner $10,500 because the restaurant failed to advise him of his option to extend his insurance after he left.

The lawsuit, which received an expedited hearing because of Gardner's medical condition, alleged violations of the Texas Commission on Human Rights Act, protecting handicapped persons, and federal law related to an employee's right to receive benefits.

The restaurant maintained Gardner was fired because of chronic lateness and violations of restaurant policy concerning "overtips" or overcharging patrons.

Industry lobbies to preserve communicable diseases bill

WASHINGTON — The foodservice industry lobbied intensely last week to preserve legislation permitting restaurateurs to move staffers with communicable diseases into positions that do not call for the handling of food.

The so-called Chapman Amendment was appended to the version of the Americans With Disabilities Act passed by the House in the third week of May. However, parliamentary procedure provided opponents with an opportunity to rescind the provision a week later.

The National Restaurant Association and the Foodservice and Lodging Institute lobbied aggressively to preserve the controversial amendment. Officials argued that the measure was needed to alleviate consumers' fears about contracting AIDS or other communicable diseases through food.

However, research has proved that AIDS cannot be contracted through food or casual contact.

The ADA was drafted in an attempt to rid public places and job sites of features that impede disabled Americans.

Hepatitis traced to contaminated cold cuts

NORTHFIELD, Ill. — An outbreak of at least 65 confirmed cases of hepatitis A has been traced to contaminated sliced roast beef or shredded turkey breast purchased from a Dominick's Finer Foods deli case in one of the chain's stores.

The Cook County Department of Public Health based that conclusion on interviews with the victims, said Marguerite Adelman, department representative. Tests confirmed that at least two store employees were infected with the virus, but the department could not conclude that those workers caused the epidemic.

Following a meeting with the health department earlier this month, Dominick's management closed the entire store overnight, disposed of all ready-made foods from the deli and the salad bar and sanitized all food-handling equipment. The store reopened the next morning with employees from other stores while the original workers were being tested for hepatitis A.

"Dominick's acted very responsibly," Adelman said.

Oregon lawmakers pass workers comp reforms

SALEM, Ore. — Oregon lawmakers approved changes in the state's workers compensation insurance system that restaurateurs say could ultimately lower premiums or at least keep future increases at a manageable level.

"These are major reforms," Michael McCallum, Oregon Restaurant Association spokesman, said of the changes.

McCallum said the need for workers compensation reform was obvious because Oregon employers pay the eighth-highest premiums while their disabled workers receive the 40th-lowest benefits.

April menu prices hit six-month high

WASHINGTON — Menu prices rose in April by the largest margin in six months, outstripping the year-ago tally by 5 percent and bringing the inflation rate closer to the price increases clocked at grocery stores, the Bureau of Labor Statistics reported.

The bureau's monthly release of the consumer price index showed that in unadjusted year-to-year comparisons, food at home, or grocery store prices, climbed 6.2 percent in April.

The difference between the growth rates of menu prices and grocery costs was the smallest in nearly two years. For instance, in January the food-at-home index rose 8.1 percent vs. 4.5 percent for the food-away-from-home measure.

Despite the increases in both food yardsticks, economists and government officials viewed the consumer price index in April as evidence that inflation was moderating.

White House backs higher fines for OSHA violations

WASHINGTON — The White House has thrown its support behind legislative proposals that would triple the fines levied on employers who violate the Occupational Safety and Health Administration's workplace safety rules.

The initiative would also regard willful violations that result in employees' deaths as felonies. Currently, those infractions are treated as misdemeanors.

Under legislation proposed by Sen. Frank Lautenberg, D-N.J., employers could be fined as much as $3,000 for safety-code infractions and as much as $30,000 for willful violations. The penalties are currently capped at $1,000 and $10,000, respectively.

LA water police cite restaurants

LOS ANGELES — The city water department's new "Drought Busters" squad has begun citing restaurants for serving unrequested water, putting teeth into a 2-year-old conservation ordinance aimed at cutting usage by 10 percent.

All businesses and households in Los Angeles risk having their service cut to a 1-gallon-a-minute flow for repeat violations or suspended for 48 hours after a fourth infraction. Initial warning citations require follow-up inspections.

Calif. operators look for relief from liquor tax

SACRAMENTO — Restaurateurs could win some relief from the controversial Special Occupational Tax related to liquor, even if a proposal by President George Bush to shift responsibility for the tax to wholesalers and producers is scrapped by Congress.

The Special Occupational Tax, an obscure tax on businesses that sell liquor, among other things, received widespread attention last year after the Bureau of Alcohol, Tobacco & Firearms began an aggressive collection campaign that saw thousands of businesses billed for delinquent taxes. Many restaurateurs, who claimed they had never heard of the tax or received a request for payment, were outraged by penalties and interest that in some cases dated back 10 years and amounted to thousands of dollars.

If Congress drops Bush's proposal on account of pressure brought by alcohol producers and wholesalers, two other legislative measures are pending that could lessen the financial impact of the tax on operators.

Congressman Leon Panetta, D-Calif., has introduced HR 3556, which would reduce the amount of the tax from $250 to $165 a year and forgive back taxes, penalties and interest before January 1989, and Congressman Paul Kanjorski, D-Pa., has introduced HR2285, a measure to impose a three-year statute of limitations on the back taxes, interest and penalties.

FINANCIAL NEWS

A tale of three C-Stores: Slim profits, big losses and Ch. 11

by Milford Prewitt

One filed for bankruptcy, one lost nearly $70 million for the quarter and one, posting a slim profit, may be on the verge of a turnaround.

That's the description of the convenience store industry's three largest operators, Southland Corp., Circle K and National Convenience Stores, as two of them struggle for survival while the third boasts that its hard days are over.

Fulfilling what it has long threatened it would do if its creditors refused to accept its complicated restructuring plan, Circle K, the second-largest convenience store operator, has filed for protection under Chapter 11 of the U.S. bankruptcy code.

Since early March the 4,700-unit Circle K has been hammering out a junk bond swap to help relieve the company of the $1.1 billion in debt it incurred during an aggressive expansion drive under former chairman Karl Eller. He resigned two weeks ago after he was stripped of most of his management responsibilities.

In its filing documents Circle K listed liabilities of $1.6 billion and assets of $1.94 billion.

The company had presented its lenders and creditors with a plan to swap $510 million in debt for stock or cash. But the company failed to win the support of its lenders and creditors and sought creditor protection through bankruptcy.

In a statement Circle K told its employees and management that it would ask its key vendors to keep its stores supplied. The company said its was forced to file bankruptcy when some of its lenders reneged on a "standstill agreement," in which they had agreed to defer all principal and interest payments and waive any defaults.

Meanwhile, segment leader Southland Corp., operator of the 7-Eleven chain, reported a narrowing in its chronic quarterly loss pattern, noting a $69.4 million gain on revenues of $1.94 billion for its first quarter, ended March 31. The revenues represented a 2-percent increase. A year ago the company lost $169 million.

For its fourth quarter, ended December, Southland claimed losses over $1 billion and an annual loss of $1.3 billion.

> Analysts link the troubles of the convenience-store field to the rapid and as yet unchecked glut of gasoline operators who are doing a better job than veterans in the field.

Like Circle K, the Dallas-based Southland Corp. is straining under a $1.8 billion debt load linked to management's $5 billion leveraged buyout of the company in 1987.

Ironically, Southland Corp.'s net loss came on an extraordinary credit of $52 million, representing a tax benefit stemming from the company's sale of its 50-percent stake in Citgo Petroleum Corp.

In a further irony, the cashing out of Citgo Petroleum comes when the convenience store field is losing market share to gasoline service stations that have perfected convenience store merchandising and inventory techniques.

Indeed, analysts link the troubles of the convenience store field to the as-yet-unchecked glut of gasoline operators who are doing a better job than the veterans in the field.

As a general rule of thumb, convenience stores draw about 15 percent to 20 percent of annual sales from fast foods and other food services, according to the National Convenience Store Association.

Since going private in December 1987, Southland has repaid $1.59 billion of its senior bank loans, the company reported.

Among the big three convenience store operators, National Convenience Stores, the Houston-based operator of 1,094 Stop N Go convenience stores, overcame a year-ago loss of $7.4 million to report a thin profit of $383,000 for its third quarter, ended March 31.

Revenues were up 4 percent, to $249.3 million.

The profit gain, however, came on the heels of a $6.6 million infusion of cash from a stock exchange offer with shareholders. When earnings from operations, therefore, are tallied, the company lost $6.2

(See C-STORES, page 41)

FOOD PRICE OUTLOOK

Grain crop outlook is favorable

by Patt Patterson

The outlook for grain this year is good.

The central Midwestern states have had enough rainfall, so the winter **wheat** crop is expected to be very good.

Farmers' **corn** and **soybean** intentions in those states are for normal or slightly larger crops. That means feed prices should be lower this year than last, and **meat** prices should reflect some of that drop.

The Dakotas, however, are still dry, and some of the surrounding states are not in too good a shape, and that could put a floor under grain and meat price declines.

Greater acreage in **leaf lettuces** — romaine, butter, green leaf and red leaf — has been planted in the Salinas Valley this spring, and prices are at low levels for this time of the year.

Shipments of **iceberg lettuce** have increased from California and New Mexico. Prices are down from late April's.

Fresh **broccoli** and **cauliflower** prices were moving up at presstime.

Peas for processing may be up in volume this year.

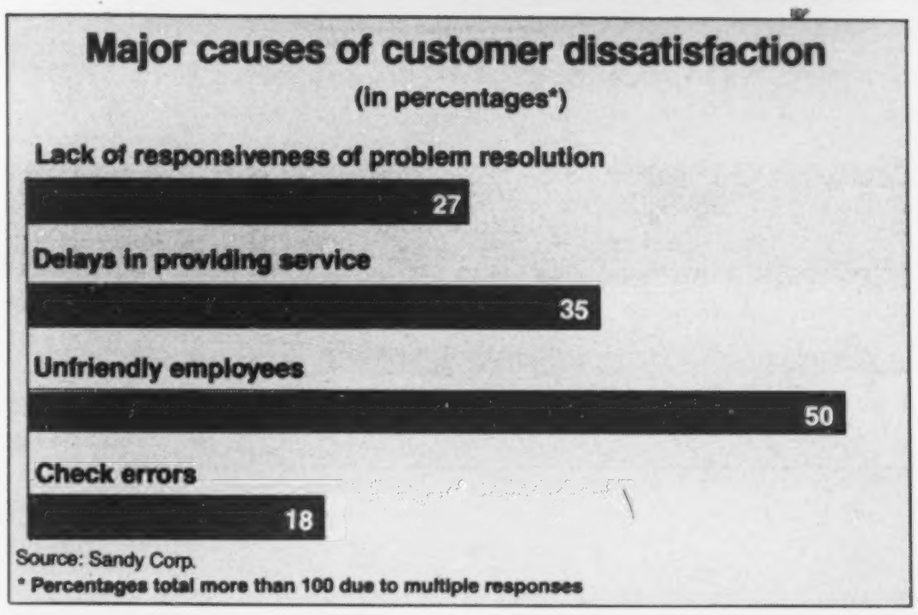
The Middle Atlantic states has had wet conditions, and the crop is expected to go over budget. In Wisconsin, on the other hand, rainfall is way under schedule, and although planting is up, prospects depend upon rain, since most of the crop is not irrigated.

Hong Kong has been picking up some of the slack in imported **mushrooms**, with China out of the picture since last October.

Now there are unconfirmed reports that Hong Kong mushrooms may get the axe from the Food and Drug Administration.

Domestic canners have pushed output to the limit but are not keeping up with demand.

FACT FILE



Source: Sandy Corp.
* Percentages total more than 100 due to multiple responses

FINANCIAL DIGEST

National Pizza's net income jumps 49%

PITTSBURG, Kan. — National Pizza Co. reported a 49-percent increase in annual net income, to $14.7 million, on a 40-percent spurt in revenues, to $198.3 million, for its fiscal year ended March 27.

Fourth-quarter net income also jumped 49 percent, to $3.9 million, on revenues of $65.3 million, a 74-percent increase.

Sales in comparable units were up 10 percent for the year and increased 13 percent for the quarter.

Skipper's, the Bellevue, Wash.-based quick-serve seafood chain National bought in late November, generated revenues of $27 million. From a profit standpoint, however, Skipper's contribution was minimized by interest and pretax adjustments linked to the acquisition.

Skipper's comparable-store sales increased 4 percent over the volume for the same time period last year.

Low sales, high costs cited for Consul loss

MINNEAPOLIS — Consul Restaurant Corp., a Chi-Chi's franchisee based here, blamed slow winter traffic and higher food costs for a $674,000 loss in its third quarter ended Feb. 28.

Revenues for the period rose 9 percent, to $20.4 million.

Consul said it lost $574,000 from operations and tacked on another $100,000 to cover a court judgment against the company stemming from a lawsuit over a closed Texas restaurant. The company has appealed.

Revenues for the nine-month period also rose 9 percent, to $64.8 million, with a net loss of $268,000, vs. a $411,000 loss in the year-ago period.

Despite the absence of profits, the company's revenues continued to grow, stimulated in part by the expansion of its menu and unit count. During the quarter the company converted a former Wendy's location into Chi-Chi's el Pronto!, a quick-service restaurant.

Along with 42 full-service Chi-Chi's restaurants, Consul operates eight quick-service Chi-Chi's el Pronto! and one Magnolia's Seafood restaurant.

Max & Erma's 1st-Q net drops 19 percent

COLUMBUS, Ohio — Max & Erma's, citing bad winter weather, higher food costs and and a year-ago tax break, said net income fell 19 percent in the first quarter, to $255,000, despite a 21-percent rise in revenues, to $8.7 million.

For the period ended Feb. 18, Max & Erma's, a 14-unit casual-themed restaurant operator in the Midwest, reported a 7-percent gain in net income before taxes, to $387,000. The company noted that in the year-ago period it enjoyed a $107,000 carryforward tax benefit.

Max & Erma's chairman and chief executive Todd Barnum said the sales boost came despite a decline in liquor sales. Same-store sales averages jumped 4.5 percent in the quarter, he said, the 14th consecutive quarter of same-store sales gain.

Meanwhile, Max & Erma's stock has been taking a beating on Wall Street, and at least one analyst has lowered his investment rating of the stock from buy to hold.

In recent trading Max & Erma's shares closed at $5.50, down from a first-quarter trading average of $7.

Servicemaster to rebuy company shares

DOWNERS GROVE, Ill. — Service Master L.P., a diversified conglomerate that also supplies foodservice to 273 clients in health care and education, has been given the go-ahead by its board of directors to repurchase $12.5 million worth of outstanding partnership shares.

Service Master, based here, has a total of about 31.6 million partnership shares outstanding, a company spokeswoman said.

In addition to being held in reserve for possible acquisitions, the repurchased shares will also be used for the employee stock option plan and employee retirement program.

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THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY
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Vol. 24, No. 23 | Published every Monday by Lebhar-Friedman Inc. $3 per issue | June 4, 1990

Cheers, fears for disabilities act

Lobbyists win battle for AIDS clause but fret over loose legal language

by Peter Romeo

WASHINGTON — Although foodservice won a major battle in its struggle to modify the landmark disabled-rights legislation recently approved by Congress, the war's outcome was a disappointment, according to industry leaders.

The officials said they championed the Americans with Disabilities Act's goal of making restaurants and other public places more accessible to disabled employees and customers, but they bemoaned the mandate's ambiguous language.

Their disappointment was tempered by the industry's success in putting into the ADA a provision that permits restaurateurs to move staffers with AIDS and other communicable diseases into jobs where their presence would be less alarming to patrons.

But even with the special provision, the ADA is "comprehensive, far-reaching legislation that will affect every aspect of our business," Stephen Elmont, chairman of the National Restaurant Association's Government Relations Committee, said at the association's annual convention in Chicago.

The bill could require such changes as outfitting point-of-sale systems with braille keys, providing special phones for the hearing impaired, widening dining-room doors and adding wheelchair ramps.

The NRA has maintained that restaurateurs would be confused about their obligations under the ADA because its language is very obscure.

For instance, the bill would require restaurants and other public businesses to make "reasonable accommodations" for handicapped staffers and patrons.

Yet the term is not defined adequately within the law, according to the NRA, which joined a number of groups in

*(See **DISABILITIES**, page 99)*

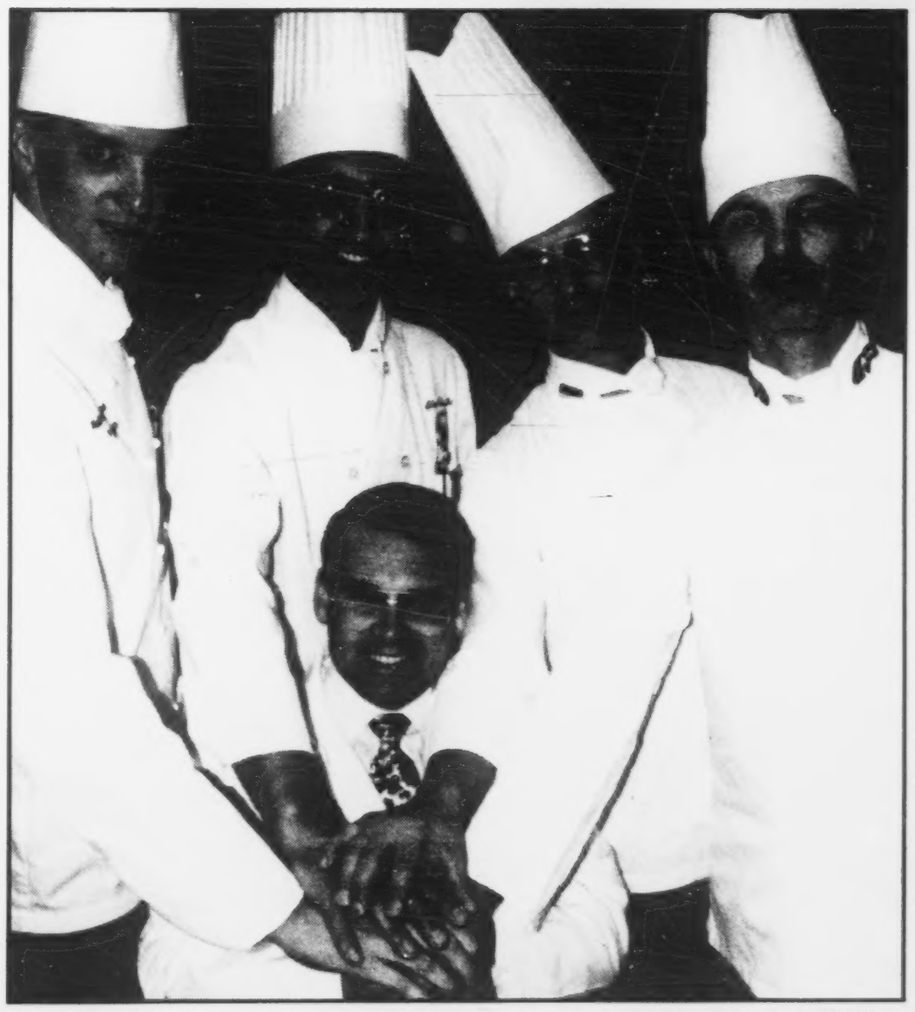
Americans with Disabilities Act: Key provisions

Permits foodservice employers to move staffers with AIDS or other communicable diseases into a job not involving handling of food.

Requires existing public facilities remove barriers to the handicapped except in situations where "undue hardship" is entailed.

Prohibits discrimination against the disabled when staffers are hired or promoted.

NRA SHOW SPECIAL REPORT



NRN Photo

Team manager Keith Keogh, seated, and the 1992 US Culinary Olympic Team. From left, Keith Coughenour, Alex Darvishi, Franz Poepperl and Michael Russell.

NRA rolls image campaigns; 'Glad you're here' reprised

by Peter Romeo

CHICAGO — Gathering here for foodservice's first full-scale meeting of the 1990s, industry leaders detailed plans to protect restaurants' interests in the new decade by embellishing the trade's image.

The officials, who converged here for the National Restaurant Association's annual convention, said they would wield the industry's marketing savvy to combat softening sales, a shortage of workers and criticism of restaurants' ecological sensitivity.

For instance, association executives aired hopes of invigorating sluggish sales through an industrywide promotion depicting operators as eager, appreciative hosts. Themed "We're Glad You're Here," the marketing campaign is a reprise of a traffic push waged by the National Restaurant Association in the early 1970s to counter an economic downturn.

"If the entire industry gets behind this promotion, it will lead to more sales not only for participating restaurants but for the industry as a whole,"

*(See **NRA**, page 99)*

IFMA Gold-Plates 'Pete' Harman

by Peter O. Keegan

CHICAGO — Leon W. "Pete" Harman, the maverick Kentucky Fried Chicken franchisee who helped build Colonel Sanders' secret recipe into the world's most successful chicken empire, won the International Foodservice Manufacturer Association Gold Plate Award here, distinguishing him as Foodservice Operator of the Year.

"What a great industry we're in," proclaimed the euphoric Harman after receiving a standing ovation from the audience and congratulatory hugs and kisses from his fellow honorees at the IFMA Silver Plate dais.

Harman was selected from among nine Sil-

*(See **HARMAN**, page 98)*

See 8 other Silver Plate winners
Page 98

4 top chefs score spots on US Culinary Olympics team

by Jack Hayes

CHICAGO — A saucier from West Virginia, a food consultant from Oregon and a pair of club chefs from Ohio and Michigan earned spots on the 1992 Culinary Team USA by outcooking their regional competitors in the Olympic tryout finals.

Topping their respective regions during a competition held at the National Restaurant Association's 71st annual show here were the following:

- Michael Russell of the Sky-

*(See **CULINARY**, page 4)*

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.
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Vol. 24, No. 23 June 4, 1990

NEWS BRIEFS

Bush official urges nationwide ban on cigarette vending

WASHINGTON — The Bush administration's top health officer has called for a nationwide ban on cigarette vending machines, which can generate several thousand dollars annually for a restaurant or tavern.

Louis Sullivan, secretary of the U.S. Department of Health and Human Services, endorsed the prohibition as a means of keeping cigarettes out of minors' hands.

With an eye toward the same goal, many cities and counties have already outlawed cigarette vending devices. Others have proposed legislation that would require restaurants and other places with a vending unit to screen its customers.

Full-service restaurants with total annual sales of $2 million per year typically reap an average of $5,000 in commissions from their cigarette vending machines, according to the accounting firm Laventhol & Horwath.

Puck uncorks Eureka brew-pub

LOS ANGELES — Wolfgang Puck and his partners in the new Los Angeles Brewing Co. have opened their long-awaited Eureka restaurant at the brewery.

Complementing its Eureka-brand amber lager on draft, the 180-seat restaurant offers an international menu of full-flavored specialties, including innovative sausage varieties, chicken and duck chili in tortilla-lined bowls, Thai-spiced lobster dumplings, pizzas and Austrian-regional dishes — such as cheese and potato ravioli in brown butter — from the recipe files of Puck's grandmother and mother.

Although Puck expects check averages to be half those of his renowned Spago here, or about $20 to $25, Eureka's kitchen indulges in such labor-intensive practices as making its own sausages, salami, cheeses, black bread and pastries. Jody Denton is Eureka's chef.

Government finds poor food handling in nursing homes

WASHINGTON — A government study of nursing homes found that more than one-third of the institutions failed to meet federal requirements for sanitary handling of food.

About 6,000 of 15,600 nursing homes inspected did not meet federal standards for storing, refrigerating, preparing, distributing and serving food under sanitary conditions, according to the survey. The 93-volume report also said that more than 20 percent of the homes did not administer prescription drugs properly.

Nursing home industry officials said the reports may be misleading since they do not gauge the degree to which care is below standards, and they are subjective because they examine just a few of the areas that inspectors check.

McDonald's tests pasta dishes

SCRANTON, Pa. — In its latest test of alternative dinner fare, McDonald's is selling several types of pasta in five units here after 4 p.m.

Items being offered include such staples as spaghetti with meatballs and lasagna.

The quick-serve giant, which has been actively exploring ways to boost dinner traffic for many months, is testing pizza in about 200 units.

Universal Studios storms Orlando

ORLANDO, Fla. — Universal Studios Florida, a $600 million entertainment complex, expects to serve 30,000 to 40,000 covers out of more than a dozen restaurants, snack carts and kiosks when its movie-themed doors swing open to central Florida's vacationers and business tourists this Thursday.

Concepts like Mel's Drive-In, a diner from the movie "American Graffiti," and Studio Commissary, a California-inspired tablecloth restaurant, join with a Mexican bistro called Cafe La Bamba, a 280-seat trattoria named Louie's, an Irish pub called Finnegan's and a memory-inspiring Schwab's Pharmacy.

Mecca Leisure USA, the Orlando-based entertainment-dining group that owns Hard Rock International, will operate a giant guitar-shaped Hard Rock Cafe and a 400-seat seafood palace called Lombard's Landing on site.

National parks set to hike contractor fees

WASHINGTON — Contract feeders that run facilities in national parks are bracing for an increase in the commissions they pay the government for the privilege of operating on public land.

U.S. Interior Minister Manuel Lujan Jr. has disclosed plans to raise the fees and use the additional revenues for the upkeep of parks.

In an interview with The New York Times, he said he would hike the charges substantially but did not specify how much of an increase he would seek.

Contract feeders that operate national parks' feeding facilities typically pay 2.5 percent of the outlets' gross revenues to the government.

Senate committee backs mandatory seafood inspection

WASHINGTON — Mandatory inspection of seafood drew a step nearer to becoming a reality when the Senate Agriculture Committee recently threw its support behind the cause.

The committee approved a bill that would require fish caught for human consumption to be scrutinized as diligently as meat and poultry are inspected under current statutes.

Unlike those commodities, seafood is not routinely examined by government inspectors. Because the inspection of fish and shellfish is voluntary rather than mandatory, only 7 percent of the nation's 2,000 seafood processors submit their catch to the Food and Drug Administration for examination, according to Sen. Patrick Healy, D-Vt.

Consumer advocates and many industry groups have asked the government to mandate the inspection of all seafood. However, the government has noted that it does not have the funding necessary to expand the programs currently used for poultry and meat.

Judge rules in favor of paternity leave

PITTSBURGH — While the industry battles federal legislation that would in effect extend maternity-leave rights to fathers, a judge here has ruled that employers in three states will have to begin offering the benefit to men if they already offer it to women.

The decision affects businesses in Pennsylvania, Delaware and New Jersey. Places with fewer than 15 employees are exempted.

The ruling, by the Third U.S. Circuit Court of Appeals, forces employers in those states to provide the same unpaid leave to fathers as they already provide to the mothers of newborns. The person would also be guaranteed a job upon return from the furlough.

The decision was handed down while foodservice lobbyists were bracing for the Senate's consideration of federal parental-leave legislation already approved by the House.

KFC International taps Huston as new prexy

LOUISVILLE, Ky. — Kentucky Fried Chicken has named former Pizza Hut senior operations vice president Allen S. Huston president of KFC International.

Huston follows Donald L. Pierce, who has resigned to become president of Pentagram Corp., a Hawaii-based firm that operates Burger King restaurants and a restaurant distribution business.

Huston's new post marks his fourth position with Pepsico, parent company of KFC, Pizza Hut and Taco Bell. Prior to his five-year stint at Pizza Hut, Huston was a manufacturing vice president at Pepsi-Cola Bottling Group and a distribution vice president at Frito-Lay.

KFC owns and franchises approximately 3,000 outlets outside the U.S.

FINANCIAL NEWS

Wall Street cheers ShowBiz for turnaround

by Milford Prewitt

IRVING, Texas — Dick Frank seems apologetic for using such shopworn clichés as "getting back to basics" and "working to please the customer."

But those are the phrases that pepper his answers when Wall Street and the press call to get the recipe for the turnaround he has led.

Frank, chairman and chief executive officer of ShowBiz Pizza Time Inc., operator of the 259-unit ShowBiz Pizza and Chuck E. Cheese amusement-pizza chains and 26 Monterey's Tex-Mex Cafe restaurants, is at the helm of a comeback that evokes the amazement of even Wall Street veterans.

In fact, the rebound of the company has attracted so many investors — driving ShowBiz's stock price from $6.25 a year ago to $25.25 most recently — that one analyst is afraid to give the company's stock a "buy" recommendation until it cools off a bit.

"I don't have a buy recommendation because the stock price has moved up so fast," said Dave Geraty, an analyst with Equitable Securities in Nashville, Tenn.

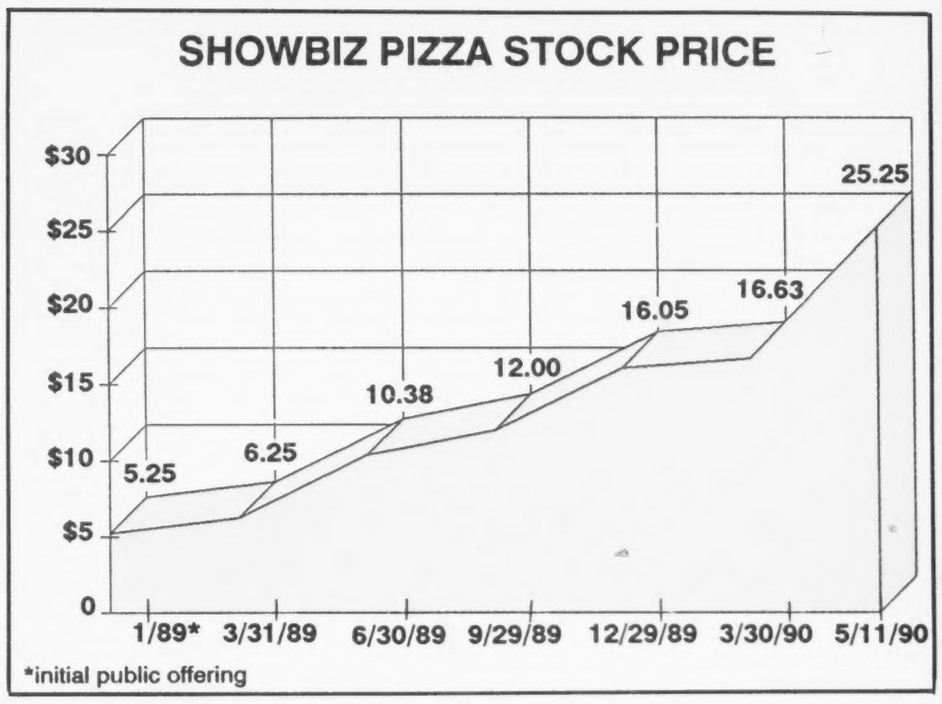
"It may be that since the stock market is doing so well, ShowBiz is a beneficiary of that momentum. I'm waiting for the market and the share price to pull back a bit," he said. "But what's going on there is a great story."

"It's the classic turnaround, a company with virtually no earnings coming up with substantial earnings growth in a short period of time," said Dennis Telzrow, an analyst with Eppler Guerin Turner Inc. in Dallas.

"It's the kind of company people did not know about and what they did know was negative," he said. "Now everyone is interested because of the earnings acceleration."

For its fiscal year ended Dec. 29, ShowBiz wiped out a $225,000 year-ago loss to make a $2.5 million profit on an 11-percent gain in revenues, to $167.4 million.

During the fourth quarter of 1989, earnings per share were $1.23. But had the company not taken a $4.5 million charge linked to the closing of 29 Monterey restaurants, earnings per share would have been as high as $2.15, analysts say.



The company has finished the first quarter showing even stronger numbers.

For the period ended March 30, net income soared 90 percent, to $4.8 million, on a 7-percent rise in revenues, to $47.4 million.

"The impressive thing is that the company's earnings still doubled despite the charge," Geraty said.

Frank said the resurgent ShowBiz is profiting from a strategic plan three year old strategic plan whose implementation is starting to pay off.

"I know people hear this all the time, but I guess it's just the old deal of getting back to the basics," Frank said. "In the last three to five years we just worked real hard to get to understand our customers, and we worked real hard to please them."

Five years ago Showbiz and Chuck E. Cheese were struggling subsidiaries of the Brock Corp., now known as Integra. Monterey was in Chapter 11 when Integra bought it in 1987.

All three restaurant subsidiaries, Chuck E. Cheese in particular, nearly brought Integra to the brink of insolvency before the parent company decided to divest the pizza operations in December 1988 through a stock swap with shareholders, leaving the company in the hands of restaurant management.

At the time of the deal, ShowBiz paid an additional $11 million to Integra for Monterey. Then ShowBiz went public in January 1989, hitting the market with an initial share price of $5.25.

At that time Frank and a new executive management corps went to work to concentrate on improving both ShowBiz's and Chuck E. Cheese's appeal to families. But they also discovered that Monterey was a drag on the company, draining about $500,000 a year in losses.

The company responded to the hemorrhage in October 1989 by closing 26 of 52 units, the source for the $4.5 million charge, and converting the remainder into a trendier and more upscale Tex-Mex competitor in the dinner-house segment.

Identical in all but name and geographic concentration, ShowBiz and Chuck E. Cheese have enjoyed 17 consecutive quarters of increased same-store sales, ending the fourth quarter with comparable-store sales up 8.3 percent. "I think people have come to view us as a family entertainment center," Frank said. "We have the niche practically to ourselves."

Slowing imports push ham prices up

by Patt Patterson

Domestic **ham** prices continue to rise, partly because of the slowing down of imports.

Most of the Eastern bloc countries that supplied the United States with hams are diverting their production to feeding their own people. Romania cut off all ham exports this year.

Poland, Yugoslavia and Czechoslovakia are all cutting back export shipments and raising prices.

Cling peaches are benefiting from a good crop forecast this year. California canners are providing truckload allowances, $1-$1.25 per case, until June on current foodservice inventories.

Truckload allowances are also being given by some of California's canners on 6/10 **apricots**, up to $1.25 per case.

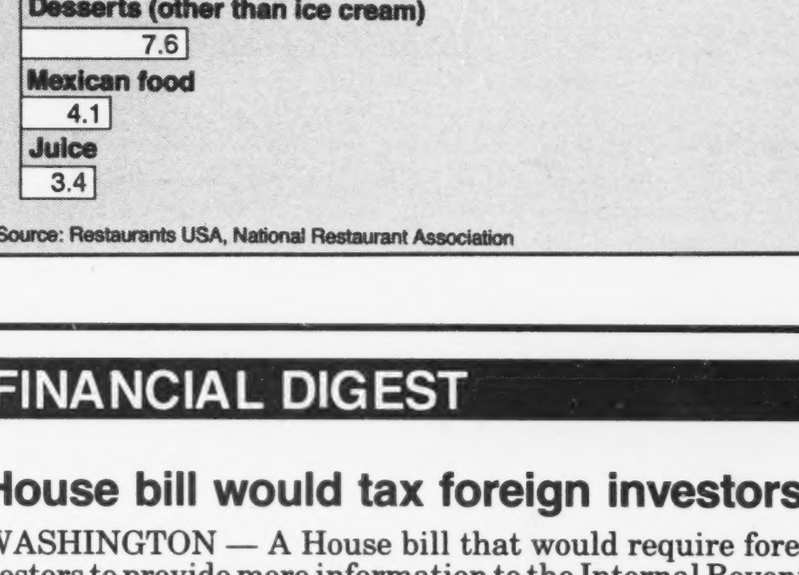
Canned Fancy **whole kernel corn** and **frozen cut corn** are in better supply than in the previous five-year average, and there have been truckload discounts on both.

Poor crop prospects in Thailand and a smaller than normal carryover is kicking up prices on 6/10 **pineapple** from that country. Production decline for this year is estimated from 8 percent to as much as 20 percent.

FACT FILE

Most popular restaurant foods for children under six

(in percent of eater occasions)



Source: Restaurants USA, National Restaurant Association

FINANCIAL DIGEST

House bill would tax foreign investors

WASHINGTON — A House bill that would require foreign investors to provide more information to the Internal Revenue Service for the purposes of assessing more taxes has been introduced by Rep. Dan Rostenkowski, D-Ill., chairman of the tax-writing House Ways and Means Committee, and Rep. Richard Gephardt, D-Mo., the House majority leader.

Called the Foreign Tax Equity Act of 1990, the legislation is aiming to collect about $1 billion more in taxes from foreigners investing in the United States or doing business here.

The measure would grant the IRS new powers to secure information from foreign companies and their subsidiaries in the United States, and it would impose a 10-percent withholding tax on the sale of U.S. stocks by large-scale foreign investors except where bilateral tax treaties prevent such an assessment.

Applebee's hires adviser to study sale

KANSAS CITY, Mo. — Applebee's International, operator of the Applebee's dinner-house chain, said it has retained a financial adviser to field acquisition offers.

The company said it has already received "feelers" from several parties interested in buying all or a major part of the operation. However, Applebee's stressed that no merger or sales negotiations are under way.

Piper Jaffray & Hopwood, the Minneapolis-based investment concern, has been hired to evaluate the overtures. It will also study alternative ways of enhancing stockholder value, Applebee's said.

Ark's 2nd-Q net income rises 255%

NEW YORK — Ark Restaurant Corp., operator and manager of 15 one-of-a-kind full-service but casual restaurants, reported a 255-percent increase in second-quarter net income on a 34 percent increase in total sales.

The company reported a $313,000 profit on sales of $11.3 million for the quarter ended March 31. For the six-month time frame, sales rose 27 percent, to $22.5 million, with a 55-percent increase in net income, to $567,000.

But income and fees from the five restaurants and bars the company manages declined. Sales from those five operations fell 3.2 percent, to $1.8 million, while management fees dropped 44 percent, to $137,000.

At a recent financial analysts conference, Ark president Michael Weinstein said the company's improved profitability is a reflection of the strengthening of the New York restaurant scene. Weinstein said the softness in New York's restaurant industry is over, and those businesses that survived, including his own, are filling in the vacuum from those that went under.

Weinstein said part of the the decline in fees and sales from restaurants managed by Ark but not owned by it has a lot to do with the softness in the Boston economy, currently experiencing similar falls in traffic that depressed Manhattan operators over the past year.

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THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

Vol. 24, No. 24 | Published every Monday by Lebhar-Friedman Inc. $3 per issue | June 11, 1990

Lights! Camera! Food!

Universal Studios battles Disney on the food front

by Jack Hayes

ORLANDO, Fla. — Challenging Walt Disney World's year-old Disney-MGM Studios for a bite of central Florida's 12 million yearly tourists, Universal Studios Florida opened its kitchens and dining rooms late last week — ready to serve 40,000 daily covers in more than a dozen restaurants.

"We're doing everything from hot dogs to grilled salmon with orange mignonette," said Steven Jayson, executive chef at the $600 million facility, which covers 450 acres a few miles north of the gigantic Disney complex.

The movie-themed feeding concepts — all of which are expected to double as sets for film and television production — range from 230-seat Mel's Drive-In from "American Graffiti" to the 380-seat Studio Commissary, a California-flavored fine-dining unit.

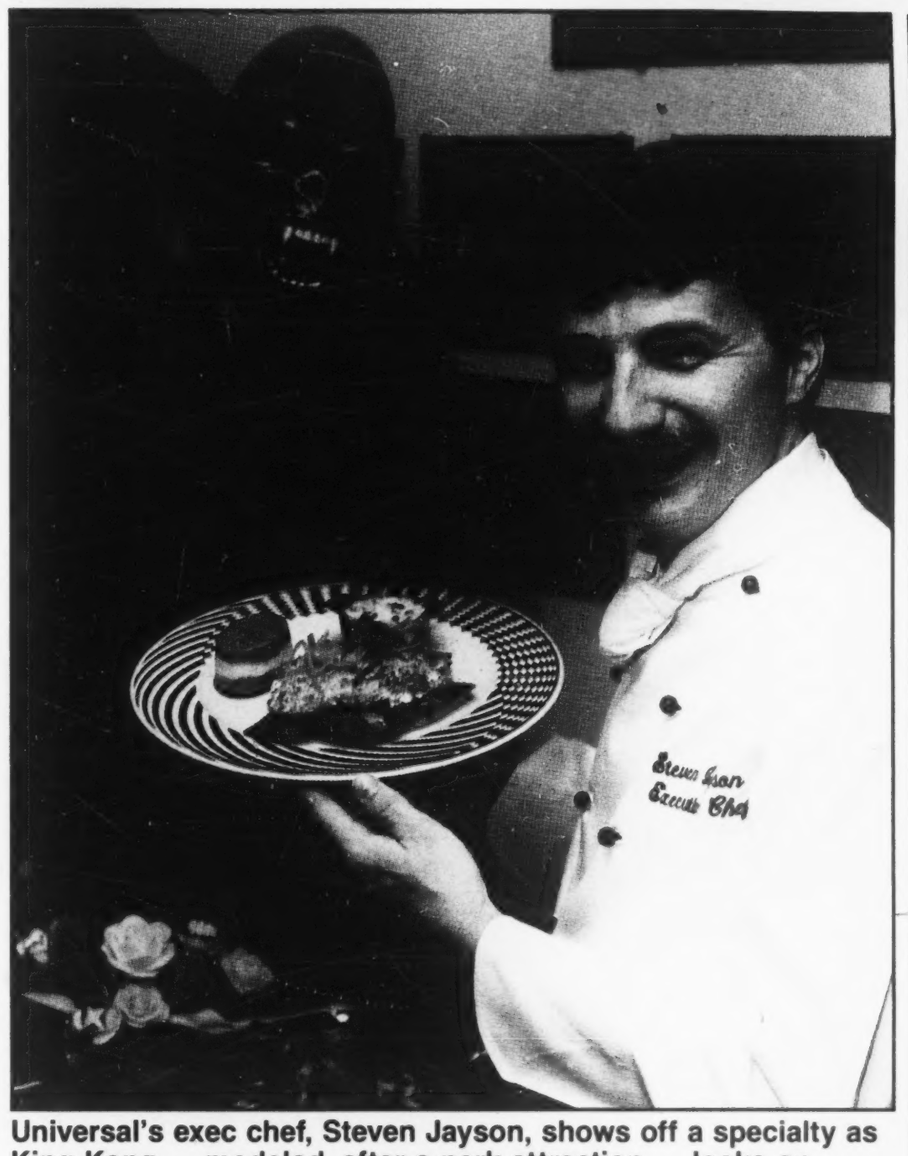
Mecca Leisure USA, the Orlando-based entertainment-dining group, is operating two major sites at the brand-new Universal attraction. Mecca Leisure owns Hard Rock International — which operates all Hard Rock cafes east of the Mississippi — as well as King Henry's Feast, Mardi Gras, Royal Orleans Restaurant and several other concepts here.

One of Mecca's operations, a guitar-shaped Hard Rock Cafe, anchors the studio complex. The other, Lombard's Landing, is a 400-seat fantasy seafood dinner palace with movie sets of both the Atlantic and Pacific oceans.

About 1,000 persons, 300 of whom are cooks, are employed to run the complex's foodservice operations.

Average checks, according to Jayson, are expected to range from a low of $4 at Mel's

(See UNIVERSAL, page 4)



Universal's exec chef, Steven Jayson, shows off a specialty as King Kong — modeled after a park attraction — looks on.

Eureka! Puck unveils brewery

Spago creator taps gourmet style for brew-pub concept

by Richard Martin

LOS ANGELES — Expanding the gastronomic bounds of the burgeoning brew-pub field, chef Wolfgang Puck and his partners have launched their ambitious Eureka restaurant and brewery.

Reflecting an $8.5 million investment and more than three years of research and development, Eureka showcases its lager and Puck's renowned culinary eclecticism in a dramatic, industrial dining environment created by his wife, designer Barbara Lazaroff.

The couple's other Los Angeles restaurants are the famed Spago and Chinois on Main, which in the 1980s helped inspire the trend to casual fine dining and popularize California-style cuisine, so-called gourmet pizza and Euro-Asian culinary fusions. Puck last year continued his string of successes by launching the acclaimed Postrio restaurant in San Francisco.

Devised by Puck and Eureka's executive chef, Jody Denton, the new restaurant's multicultural menu seeks to break new ground in the mating and cross-merchandising of fresh-brewed beer and fine food.

NRN Photo

Puck and Lazaroff

"Most brewery restaurants have been created for beer drinkers, and very little attention is paid to the food," asserts Puck, referring to the 150-odd smaller-scale operations in North America whose openings over the last five years have fueled a tenfold increase in the number of restaurants that brew their own beers.

"Wolf believes Eureka should be a restaurant, first

(See EUREKA, page 61)

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Violence hits hospitality industry
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The 'cold war' of frozen desserts
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Waiter steals the show at Ruggles Grill

by Tracey Woodard

HOUSTON — It is not unusual for a chef to generate a loyal following that, craving his particular culinary fare, will dine regularly at an establishment.

Ermis

Similarly, a restaurant's convenient location may siphon off flying-by customers who would rather eat near home rather than near Rome.

It is irregular, however, for service — especially one individual's service — to overshadow both of those factors and become a recognizable and quantifiable advantage to an establishment.

But at Ruggles Grill veteran waiter Geary Ermis is such a part of the restaurant's atmosphere that his pen-and-ink caricature graces the menus, matchbook covers and other paper paraphernalia.

Ermis, whose parents owned a restaurant in East Texas when he was a child, began working at Ruggles while a student in 1980. Now, 10 years later, he's still working for the restaurant and is still a student, but he hopes to graduate from the University of Houston in 1991 with a degree in hotel and restaurant management — or ancient Latin American history.

Though he's taken more than the usual amount of time to get a college degree, he's already matriculated in his waitperson studies because he learned a simple lesson.

STARS OF SERVICE
Operators rise to the challenge

First in a five-part series

"You have to give them what they want," said 37-year-old Ermis, "and you give it to them with a smile."

"Everybody today is oriented toward certain needs," he said, "and you can't balk. People don't have to come to your establishment."

(See RUGGLES, page 61)

Stars of Service set pace for the industry

More than ever, customer service is a critical issue in the industry.

This week Nation's Restaurant News launches a special series profiling those special operations we call "Stars of Service."

Each operation in this series addresses the issue differently. Some are implementing a range of sophisticated training programs. Others are looking for new ways to choose and motivate their waitstaff.

All of them are meeting the challenge and setting a standard for the industry to follow.

If you know of others who should be noted, write: Stars of Service, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 24 June 11, 1990

NEWS BRIEFS

Service America defaults on loan

STAMFORD, Conn. — Service America, the large non-commercial feeder based here, has defaulted on a $195 million loan from the General Electric Capital Corp. — the senior creditor in the foodservice conglomerate's $500 million management-led buyout from Allegheny Beverage in 1987.

Service America attributed its inability to repay the loan to higher operating costs, increased competition and employee layoffs at many of the automotive and textile plants where the company provides foodservice. It also cited severance charges and relocation expenses for a series of senior-level management changes over the past six months.

Officials at Service America said that GE Capital has advised the company that under the terms of the loan, it won't be permitted to tender any interest or principal payments on its $127 million worth of subordinated debt. However, a $10.8 million interest payment on the subordinated debt is due June 15.

Currently, Service America and GE Capital Corp. are in discussions to restructure a payment schedule for its senior and subordinated debt. Service America plans to file a registration proposal for a payment restructure in about 45 days.

Big Apple slump claims Maurice

NEW YORK — The Maurice, the highly acclaimed luxury French restaurant in the Parker-Meridien hotel here, is the latest victim of the New York fine-dining downturn.

Hotel executives decided to close the 6-year-old, 100-seat restaurant early last week, citing high operating costs. "We just couldn't afford to keep it open," said Kathleen Duffy, director of public relations for the hotel. "People are just not spending as much on dining out as they once did."

While Duffy pointed out that the restaurant continued to attract "a consistent clientele," she said that the hotel — owned by Air France — is considering reopening the operation as a "less extravagant" concept. It will probably not reopen until September, she added.

The Maurice had seen a number of top chefs pass through its kitchen, including three-star Michelin chefs Alain Senderens and Marc Haeberlin, both of whom were brought in as consultants; Jean-Louis Palladin, who also served as a consultant for a short time; Christian DeLouvrier; Matthew Tivy; and, most recently, Thomas Henkelman, Haeberlin's protégé. Henkelman will not remain with the hotel, Duffy said.

Florida to require breakfasts at grade schools

TALLAHASSEE, Fla. — In a boon to contract feeders, the Florida Department of Education said it would attempt to bring all of the state's elementary schools into the National School Breakfast Program by 1992.

By the end of the 1990-91 school year, all "severe need" elementary schools — those offering a free lunch or one with a price reduced by at least 40 percent — must also offer breakfast.

Other schools will have until the end of the 1991-92 school year to begin breakfast service. According to a representative from the Florida Department of Education, the plan is still contingent on the amount of state legislative appropriations.

Currently, about half of the state's 67 school districts offer breakfast to students.

Bankrupt Sis Corp. to sell assets

CLEVELAND, Ohio — Sis Corp., the bankrupt operator of the Sisters Chicken & Biscuits fast-food chain, said it plans to sell its assets because it cannot secure financing for its original recovery program.

The company, which was a franchisee of Sisters before buying the chain from Wendy's International in 1987, has been operating under the protection of a bankruptcy court since February 1989. It had approved a plan to reorganize Sis as a first step toward restoring the company to profitability.

Sis said it was unable to obtain the financing needed to implement the strategy. Instead, the company said, it will ask the court to approve the sale of assets.

Proceeds will not be provided to company shareholders, Sis said.

Court upholds Pizza Hut rule on licensee stakes

SAN ANTONIO, Texas — Pizza Hut's third-largest franchisee said it would appeal a U.S. District Court ruling upholding Pizza Hut's contention that newer contracts require franchise operators to control 51 percent of the stock when they go public.

Meanwhile, lawyers for Pizza Management Inc., a 225-unit operator, said the protracted court battle has since resulted in Pizza Hut's filing a counterclaim to expel PMI from the system, and they added that PMI has not been offered the chain's new 20-year contract.

The case began in July 1986, when PMI sued Pizza Hut for refusing to allow the company to go public without the operators maintaining 51 percent of the stock.

PMI argued it had received contracts in 1976 and 1981, allowing the company to go public with less restrictions. But the judge found in Pizza Hut's favor that a narrow interpretation of contract language in a "superseding agreement" required franchisees to be the majority shareholders.

Owners settle dispute over Tony Roma's

DALLAS — Clint Murchison Jr.'s four children paid $1.5 million to creditors in a settlement to resolve a dispute over the ownership of the Tony Roma's — A Place for Ribs chain.

The dispute arose when Dallas millionaire Clint Murchison Jr., former owner of the 137-unit operation, filed for bankruptcy four years ago.

His four children — Clint Murchison III, Burke Murchison, Coke Anne Saunders and Robert Murchison — purchased the chain at that time.

According to the Dallas Business Journal, Mike Lynn, bankruptcy trustee in the case, sought to have the chain returned to the creditors, claiming that Murchison's children had technically defaulted the creditors by acquiring the chain from their father in 1984 for less than its true value.

The matter was complicated, the newspaper said, because Lynn was seeking to regain the value of the chain at the time of bankruptcy, which had been pegged at anywhere from $800,000 to $10 million.

Mecca Leisure rejects offer

LONDON — Mecca Leisure, operator of Hard Rock Cafes in the Eastern United States and several high-volume restaurants in Florida, has spurned an $860.7 million acquisition offer from the Rank Organisation, a communications concern also based here.

Mecca has emerged as a foodservice powerhouse in Orlando, Fla., where the British company recently expanded its feeding operations with the opening of the new Universal Studios theme park. Mecca's U.S. division is managing two of the facility's restaurants, including a guitar-shaped Hard Rock Cafe.

Mecca owns and operates Hard Rock Cafes located east of the Mississippi. It also manages several large, themed restaurants in Orlando, including King Henry's Feast, Mardi Gras and Royal Orleans.

Trumped! Lenders nix Donald's debt swap plan

NEW YORK — Donald Trump's lenders have rejected the flamboyant millionaire's offer to swap stakes in the Plaza and Grand Hyatt hotels here for outstanding debt, according to a published report.

The Wall Street Journal did not specify how much debt Trump sought to retire with his proposal. The article asserted that he is struggling to meet his loan repayment schedules.

The Plaza and the Grand Hyatt are two pillars of the local hotel industry. Recently, the Plaza has been waging an advertising campaign to bolster traffic at the landmark property's signature restaurant, the Edwardian Room.

FINANCIAL NEWS

Debt, losses do not defray TW Services expansion plan

by Milford Prewitt

SPARTANBURG, S.C. — Despite two consecutive and large quarterly losses and the debt service on a $1.7 billion leveraged buyout, TW Holdings remains committed to its ambitious expansion and remodeling program.

Profit has been elusive since management and Conisston Partners formed TW Holdings last year to buy TW Services, the diversified conglomerate whose sales volume makes it the fourth-largest foodservice company in the industry.

But in reviewing the health of the company, which is nearly $2.5 billion in debt, executives put a higher premium on long-term growth via expansion, facility improvements and improved customer service over short-term profits.

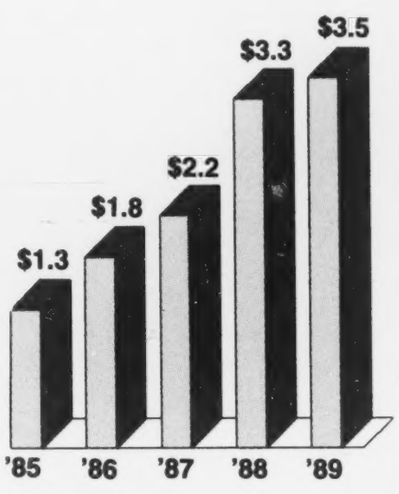
"We are not afraid of our leveraged position because we know we operate our businesses right," said Walter M. Brice, vice president and chief financial officer. "It is true that this kind of debt is a new environment for us, but the cash flow is there to service the debt and we have the people in place in leadership roles to do the job."

TW Services operates some of the best-known food service names and most-watched concepts in the industry. Its stable of operations includes: Canteen, the largest contract feeder; Denny's, the largest family restaurant chain; Spartan Foods, operator of 465 Hardee's units and owner of the 213-unit Quincy's Family Steakhouse chain; and El Pollo Loco, the 206-restaurant quick-serve chicken chain.

The company also owns some distribution and supply facilities to keep its empire fueled, but it expects to sell some of the non-strategic distribution businesses in the future.

Interest and other expenses related to the buyout and flat sales from Canteen,

TW Holdings consolidated revenues
(in billions)



Source: Company reports

which heretofore has been the company's largest contributor to total corporate sales and profit, have wrought two consecutive quarterly losses.

For the first quarter ended March 31, revenues from the restaurant division and Canteen rose 8 percent, to $862 million. But after interest and other debt-related expenses and taxes, the company lost $46 million in the quarter in contrast to an $8 million profit a year ago.

Canteen enjoyed a 26-percent boost in income, to $8.9 million, on a slim 1-percent increase in revenues, to $312.5 million. During the fiscal year ended December, Canteen's sales reflected similar flat growth, rising 2 percent, to $1.3 billion, while net income slumped 2.2 percent, to $67 million.

TW Services ended its fiscal 1989 with a $57.3 million loss on a 5-percent increase in revenues, to $3.4 billion.

Brice said the softness in Canteen's performance of late has been largely due to the slowdown from military accounts and automobile plants, both of which are slowing down production and laying off workers.

But even with the retrenchment in heavy industry, Brice said Canteen is already building a new client base with executive corporate catering, stadiums and prisons. Moreover, Brice stressed that despite the historic relationship Canteen has had with industrial accounts, no one client accounts for no more than 3 percent of the company's total sales volume.

"There has been a strategy in place for some time to diversify Canteen's client base," Brice said. "We are still heavily involved in automotive and defense industries, and traditionally through the years both of these industries have been very cyclical and our revenues and customer base — and by that I mean the number of people who are in these factories — have diminished.

"But when you push back and look at Canteen some five to eight years ago, 60 to 70 percent of our business was in the blue-collar industries, and since that time through acquisitions or marketing strategies that percentage has decreased. Our strategy is balanced diversification."

Brice said one of Canteen's strengths has been the ability to adapt to new markets and treat each client facility as a separate entity rather than imposing one smorgasbord of services to different customers.

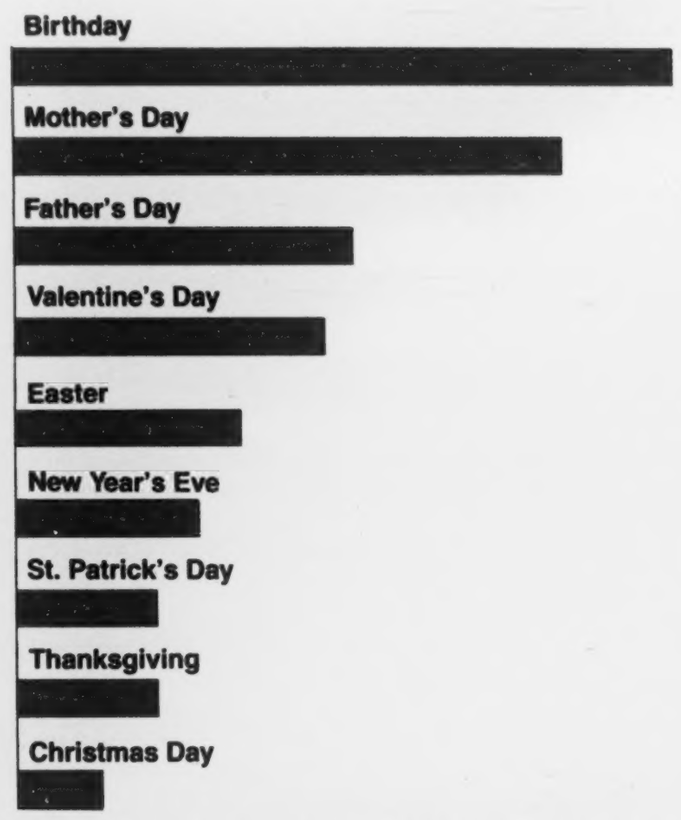
"We are trying to make opportunities out of adversity, and when you squeeze the balloon, something else has got to bulge somewhere else," Brice said. "Our emphasis is going to the field to the customer with no headquarters emphasis, with people who can touch the people's lives.

"That's why we are extremely pleased with our low turnover. When we lose a customer, what we worry about are the ones in which a custom-

(See TW SERVICES, page 59)

FACT FILE

There's no place like restaurants for the holidays
(percentage of people dining out on these special occasions*)



*Total exceeds 100 percent due to multiple responses

Source: National Restaurant Association/Gallup Survey

FINANCIAL DIGEST

Prime Motor to sell Ramada, HoJo stake

FAIRFIELD, N.J. — Prime Motor Inns, one of the nation's largest hotel operators, has finalized its agreement to sell a 65-percent interest in the Howard Johnson and Ramada lodging chains to Blackstone Capital Partners for more than $140 million.

Blackstone is a New York investment group that includes Henry Silverman, a former chairman of the Days Inn chain, and Richard Ravitch, a high-profile businessman who ran in New York's mayoral election last year.

Prime, the sole owner of the Rodeway, AmeriSuites and Wellesley Inn chains, was a franchisee of Howard Johnson and Ramada before buying those systems' franchise rights in two separate deals.

Popeyes franchisee makes Wendy's bid

NEW YORK — Fast Food Operators, a 10-unit franchisee of Popeyes Chicken, plans to issue $14.4 million in common stock, at about $5 a share, in order to buy 23 Wendy's operations along the East Coast.

The company is issuing 2.89 million shares to be swapped for the investment interest in the Wendy's units run by 14 limited partnerships all under one umbrella group called Integrated Resources Inc., from which Fast Food Operators is a spin-off.

Most of the stock, about 2,015,400 shares, will be given to limited partners in the partnership. The remaining 874,600 shares will be issued to Integrated Resources and will account for approximately 30 percent of Fast Food Systems stock when the offering is completed.

ESOP buys Andy's burger chain

LITTLE ROCK, Ark. — The employees of Andy's Restaurants, a 16-unit regional hamburger chain, bought 70 percent of the company from the owner under an Employee Stock Ownership Plan.

The ESOP will pay owner Garland Streett $3 million for his majority share of the company.

Streett will remain chairman of the nine-person board of directors until the employees can afford to buy the balance of the company.

Under the terms of employee buyout, Streett will be paid off over the course of five to seven years from the company's earnings. The plan will ultimately give the stock to the employees who can cash it in when they leave the company.

Under the ESOP, all employees who have worked at Andy's 1,000 hours and are older than 18 are eligible to participate.

Skolniks head resigns, becomes franchisee

LOUISVILLE, Ky. — Robert E. Holmberg, president, chief financial officer and board member of Skolniks, has left the president's office in order to become a franchisee of the concept.

He will retain his board membership and chief financial officer positions while Joe R. Love, chairman, assumes the additional duties of president.

FOOD PRICE OUTLOOK

Shrimp prices to remain stable

by Patt Patterson

Smaller levels of **imported shrimp** from China, Ecuador, Indonesia, Mexico, the Philippines and Thailand are expected to keep prices at spring levels through most of the summer. Smaller sizes should drop a bit with good harvests from Louisiana. From mid-July, when the Texas season starts, there may be better supplies of mediums. Don't expect the low prices on Black Tiger shrimp seen last year. Indonesia, the Philippines and Thailand will be shipping fewer, and a large proportion will go to Japan.

Egg prices remain below last year's at this time. Increased production and a fall-off in demand have kept prices down. Although **chicken** prices have been trending up again after a drop earlier, producers are still increasing flocks. Prices should settle down again into summer, although chicken is gaining a major place on the nation's barbecues as a low-cost alternative to beef and pork.

The U.S. Department of Agriculture has revised its estimates on Florida **orange juice** production upward, but don't expect prices to fall. It's still the lowest yield in a number of years, and the price of Brazilian juice, used to make up the difference, is running high.

The berry picture is good this year; expect larger supplies than last year's for cultivated **blueberries**, for **red raspberries** and **blackberries**. The only rough spot is **strawberries**, which are higher to frozen food processors this year but lower on the fresh market.

FOCUS

Above: Some of the yogurt-based cakes and pies rolled out by TCBY in an effort to spur sales during sluggish periods. Right and bottom right: Long known for such soft-served ice cream treats as hot fudge sundaes and banana splits, below, Dairy Queen has kept up with changing consumer tastes by adding frozen yogurt desserts, right, to its menu selections.

FROZEN DESSERTS

The *'cold war'* escalates as frozen yogurt makers prepare for battle against the latest weapon to shake the market — no-fat, no-cholesterol ice cream

Chilly fat-free cholesterol-free confections that makers claim rival butterfat-rich ice creams in taste and texture are the latest wild card in the increasingly crowded and big-stakes frozen-dessert game.

One recent study suggests that the emergence of fat-free "ice creams," such as the Bresler's Royale Lites line that was rolled out this month, could spell big trouble for frozen-yogurt sellers.

The breakthroughs being made by ice-cream makers come at a time when several frozen-yogurt chains are rolling out "gourmet" novelties, cakes, pies and carry-out "mix-in" products. They also come at a time when some within the segment are questioning the wisdom of the "everything-to-everyone" approach that some chains are taking.

Yogurt chain officials say they expect the new novelties, cakes, pies and other products, many of which are tied to holidays, sports and regional traditions, to boost traffic in the fall and winter and increase takeout sales year round.

But it is the emerging so-called fat-free ice creams that could stir up the most excitement in the $2.2 billion frozen- dessert business. Despite their positioning as "lite" products, fat-free cholesterol-free desserts, especially any that might be perceived as a legitimate heir to the ice-cream family's vast stockpile of popularity, cannot be taken lightly.

Many people credit much of the five-fold increase in frozen yogurt sales since 1985 to the development of "healthier" and better-tasting lines that capitalize on consumers' love of sweets and loathing of calories, fat and cholesterol.

"Guilt-free" treats are being accepted so quickly these days that the fanfare surrounding non-fat frozen-yogurt products with little or no cholesterol, which have been widely available only for a year or two at most, has all but died out. The most recent example of consumer clamoring for a "healthful" dessert can be found in the reaction to sugar-free products.

I Can't Believe It's Yogurt, a 315-unit Dallas-based chain, reported that the artificially-sweetened line of no-fat no-cholesterol frozen yogurt it introduced last year not only added incremental sales but also claims a 30-percent

*(See **FROZEN**, page 31)*

FOCUS

FROZEN DESSERTS

(Continued from page 29)
share of total sales.

David E. Lasky, president of 300-unit Bresler's Ice Cream & Yogurt Shops of Des Plaines, Ill., said his company's NutraSweet-sweetened line, which also was introduced last year, has been a top seller as well.

However, not all chains are enthralled with sugar-free products: 130-unit Penguin's Place Frozen Yogurt of Thousand Oaks, Calif., reported it has been unable to develop a sugar-free product that holds its flavor for an acceptable period.

"We're not overly impressed with the public's response," Jim Swickard, president of the California Yogurt Co., said of consumer reaction to an artificially sweetened product his company is testing.

Swickard's Encinitas, Calif., company licenses eight dip shops in California and distributes its products through hundreds of supermarkets, dip shops and foodservice outlets in Norway. He said he believes many people consider yogurt a naturally healthful food, so they view an artificially sweetened product as a "bit of a contradiction."

Contradiction or not, some operators believe consumers will have a hard time resisting a lower-calorie, fat-free, cholesterol-free "ice cream." The new products are actually ice milks that use fat substitutes to mimic the flavor and texture of super premium ice creams.

"With these fat-free 'ice creams' coming out, the question is, Will they take business from the ice-cream segment's super premium line, or [impact] frozen yogurt?" asks Bresler's Lasky.

The question is relevant to Lasky because Bresler's is currently rolling out Royale Lites, the first fat-free, cholesterol-free ice milk to be offered by a large dip shop chain. The new line, he says, is positioned as an alternative to the chain's Royale Creams super premium ice cream.

"We'd like to see incremental gains [from Royale Lites], and we think they will be there, but we're also aware there will be some cannibalization of one of the product lines," Lasky says.

Strawberry-Strawberry, Lemon Chiffon, Peach Melba and Black Cherry will be the first four Royale Lites flavors to show up in the chain's dip shops.

There can be little doubt that other chains, including 3,351-unit dip-shop leader Baskin-Robbins, are at least considering a fat-free ice milk product.

In addition to its regular and super premium ice creams, Glendale, Calif.-based Baskin-Robbins already offers a low-fat low-cholesterol ice milk called "Light," a sugar-free product, a non-dairy fruit-juice-infused "whip" and low-fat and no-fat frozen yogurts.

Baskin-Robbins, a subsidiary of Allied Lyons North America Corp., was one of the first dip-shop chains to recognize the staying power of the sweeter frozen yogurts that surfaced in the 1980s and added such a product to the menu in 1987, as did 290-unit Häagen-Dazs of Teaneck, N.J. Bresler's added frozen yogurt in 1988, and other ice-cream chains have followed suit since.

The addition of frozen yogurt to the menus of ice-cream dip shops big and small has helped revitalize that segment.

"While it is generally true that ice-cream sales have been off the last couple of years . . . down about 2 percent . . . what some [dip-shop owners] lost in ice-cream sales they more than made up in frozen-yogurt sales," National Ice Cream & Yogurt Retailers Association executive director Don Buckley says.

According to Millie Lemajich of the Restaurant Consulting Group, an Evanston, Ill., company that compiles the RE-COUNT report, the number of ice-cream shops nationwide actually declined by about 3.2 percent, to 21,496, in 1989. The number of yogurt shops, she says, increased by 33 percent, to 2,564.

Lemajich says she had no formal projections for 1990, so "I'm not sure if it [the ice-cream segment] is going to rebound this year." She characterizes the frozen-yogurt business as "hot" but added, "All the ice-cream chains are beginning to offer yogurt, so the distinction between the two [types of chains] is getting grayer and grayer."

Steve's Homemade Ice Cream of Lindenhurst, N.Y., which hasn't added frozen yogurt to the menu but which did acquire a piece of the frozen-yogurt market when it bought Heidi's Frozen Yozurt Shoppes in 1989, recently made its new Steve's Lite line available to grocery stores and the company's 100 Steve's dip shops.

The new Steve's ice milk product has 56-percent less fat, 33-percent fewer calories and 40-percent less cholesterol than the super premium line, company officials say, "but is virtually indistinguishable from super premium."

Steve's is the franchiser of about 200 Swensen's Ice Cream Parlors, 100 Steve's Ice Cream stores and 80 Heidi's Frozen Yogurt outlets. Swensen's offers a lower-calorie product, and Heidi's sells low-fat and no-fat cholesterol-free frozen yogurts.

The development of rich-tasting low and no-fat ice milks poses a threat to the frozen-yogurt market, a recent study of that market by FIND/SVP, a New York-based research house, indicates.

If synthetic fats or fat substitutes are successfully adapted to ice creams, they "would eliminate the low-fat, low-calorie advantage frozen yogurt currently enjoys," the study's author states. "This could seriously stymie future market development of frozen yogurt."

But if officials of some of the country's largest frozen-yogurt chains are very worried about low-fat or no-fat "ice creams," they aren't letting on.

"Clearly, if the makers of ice cream were able to significantly reduce its butterfat content and deliver its current flavor, texture and satisfaction, then it [ice cream] would be a stronger competitor to frozen yogurt," Dan Corrigan, of I Can't Believe It's Yogurt, concedes. However, he adds, "The fact is, that that [capability] has yet to be proved."

Penguin's Place Frozen Yogurt president William Hawfield says predictions that yogurt chains could be seriously hurt by no-fat ice milks or other new products "fail to realize that yogurt has become its own category." Yogurt chains, he says, no longer worry much about "stealing business from ice cream. . . . They now concentrate on being the best in the [yogurt] category."

As for no-fat ice milks, Hawfield says, "I don't see it hurting our business."

"Non-fat frozen yogurt fills the lower end of the spectrum for healthful products, and the upper end is filled by premium ice creams with all the taste and all the calories," the Penguin's Place president notes.

If Hawfield is correct, then no-fat ice milks must establish themselves as a viable alternative to frozen yogurt, not merely an extension of the ice-cream line, or risk ending up on the "middle ground" in terms of consumer perceptions.

Middle ground, some industry observers note, is not a good place to be in the all-or-nothing '90s.

Howard Waxman, editor of the Ice Cream Reporter, a monthly New York-based newsletter, says executives from two different chains both recently observed that customers were abandoning middle-of-the-road products to buy either super "lite" or super rich desserts.

Regardless of whether no-fat ice milks prove to be the "next" frozen yogurt or leave consumers cold, ice-cream chains are expected to continue selling frozen yogurt and to continue marketing themselves as one-stop shopping centers for frozen desserts.

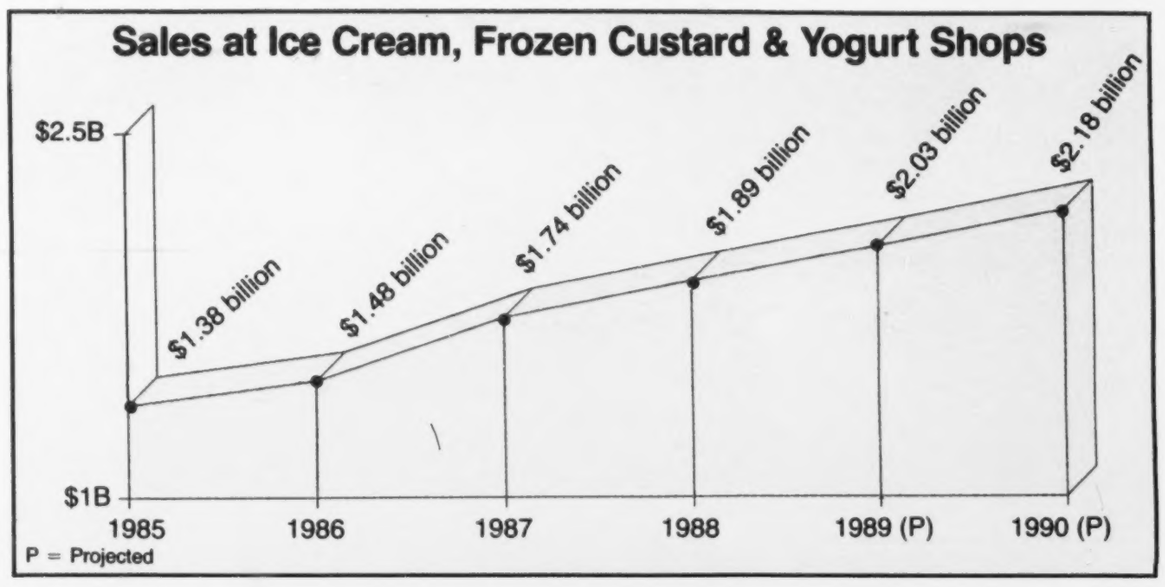
Baskin-Robbins' 1990 advertising campaign centers around its vast and extended product line and the theme line: "Now There is More to Love Us For."

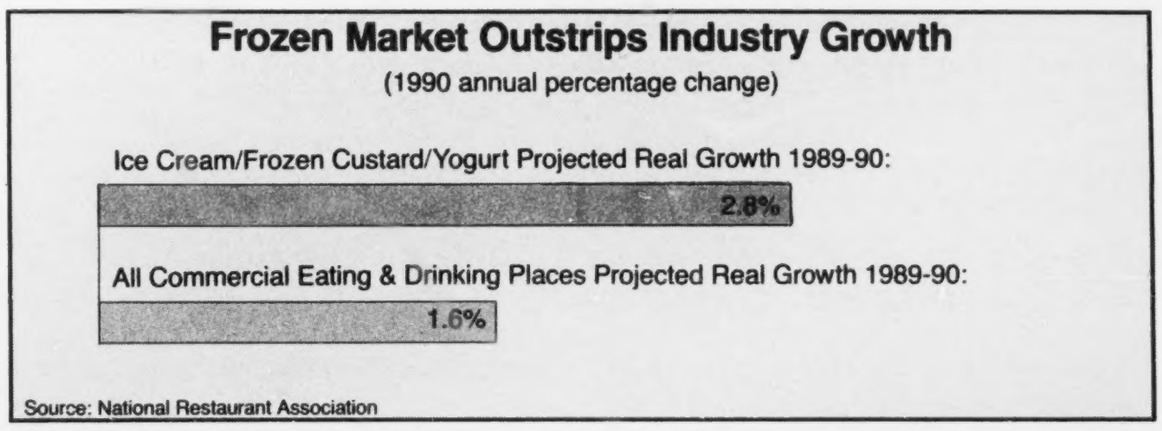
However, some specialists, on both the ice-cream and yogurt side, contend that the proliferation of menu items at some chains could lead to image and operational problems. Corrigan, I Can't Believe It's Yogurt's director of marketing, is among them.

Corrigan and some other ICBIY executives spent a number of years in the fast-food industry at companies that suffered ill effects from overly aggressive menu expansion. He says they all strive to remember that product line extension often results in "short-term" sales gains and "ongoing" operational headaches and pressures on margins.

Explaining ICBIY's careful approach to adding products, Corrigan remarks: "There is a number of us here who have lived through the seconds of glory [from product line extension] and the years of agony that one lives with when you screw up a good product [concept]."

But there are others within the segment who believe the competitive environment demands constant new product development and a broad menu.





Indie yogurt shops predicted to melt under big chain competition

Feeling the heat from yogurt, ice-cream and fast-food chains, independent frozen-yogurt peddlers could see four-fifths of their peers evaporate by 1993, one study predicts.

The "Frozen Yogurt Market," a 150-page study by New York-based FIND/SVP, says that while the number of frozen-yogurt outlets will grow greatly between now and 1993, intense competition will drive most independents from the market and compress the margins of chain operators.

"Growth in the frozen-yogurt market is expected to level off in 1991 or 1992, leading the industry to experience a shakeout in both retail outlets and supermarket sectors," a summary of the study's findings states.

The study reached this conclusion: "Many independent operators will be forced to close, and increased competition will lead to declining profits, since competition for customers will prevent outlets from raising their prices enough to cover rising costs of labor and rent."

The FIND/SVP study's author projects that the total number of frozen-yogurt purveyors will increase from about 11,000 to 14,352 during the next three years. The roster of independents, however, could shrink from 2,200 to 435, she says.

As defined by the study, "purveyors" mean yogurt shops franchised from chains, independently owned yogurt shops and chain ice-cream shops that sell yogurt.

The increasing availability of frozen yogurt at non-specialty foodservice outlets, such as cafeterias and fast-food restaurants, is also helping to set the stage for the shakeout. Frozen yogurt was available at thousands of such outlets even before two of the industry's largest fast-food chains began offering the product.

With McDonald's recent rollout

(See FROZEN, page 32)

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Vol. 24, No. 25 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | June 18, 1990

Thomas R. Schwarz

Dunkin' president resigns

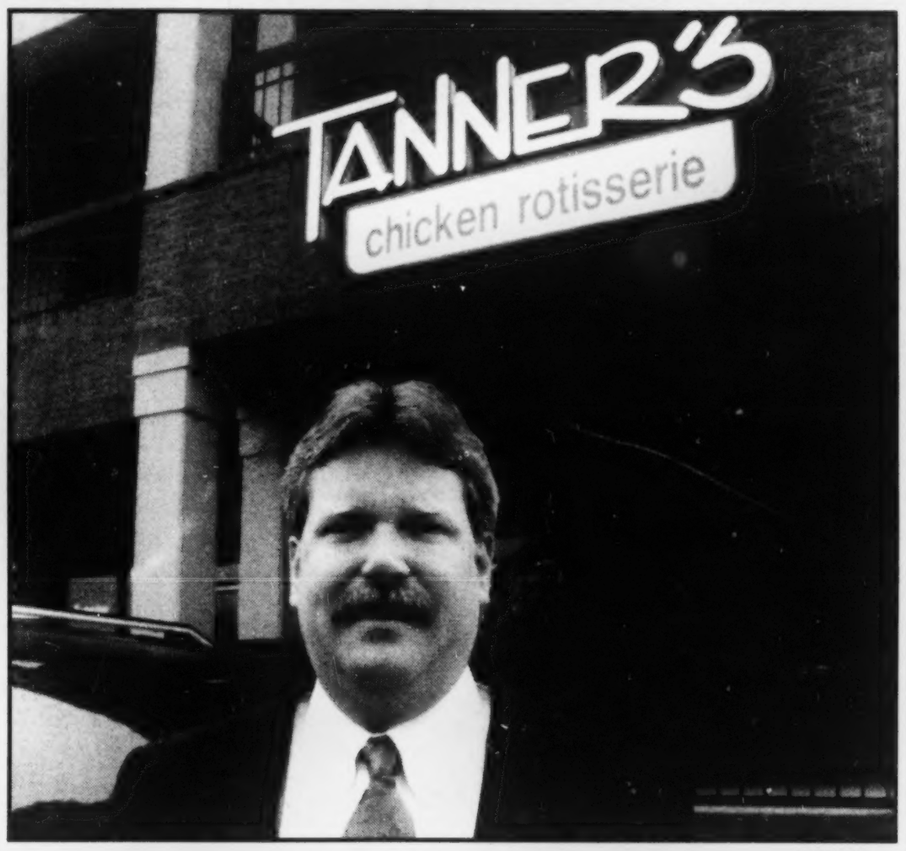
by Peter Romeo

RANDOLPH, Mass. — Thomas Schwarz has resigned as president of Dunkin' Donuts following the doughnut behemoth's absorption into its new parent company, Allied-Lyons PLC.

The longtime Dunkin' veteran has stepped down to become president and chief operating officer of Grossman's Inc., a chain of lumber stores. Grossman's has already disclosed that Schwarz will be promoted to chairman and chief executive in October.

Schwarz's decision was "not a direct result" of Allied-Lyon's friendly takeover of Dunkin' earlier this year, said Dunkin' chief executive Robert Rosenberg, who has as-

(See DUNKIN', page 82)



NRN Photo

Tanner's founder, Rick Tanner, in front of one of his units.

Rotisserie chicken pioneer in a tizzy over 'copycats'

by Jack Hayes

SMYRNA, Ga. — Calling himself the creator of the rotisserie chicken concept, which is starting to sweep the nation, Rick Tanner talks like a novelist who can't get a copyright for his best-selling book.

"I'm being ripped off everywhere I turn," growls Tanner, who is the president of a 4-year-old chain called Tanner's, which has three restaurants doing 600 sit-down covers plus 150 takeout orders per day. Checks average $5.50 per person, which yields a typical annual intake of $1 million per store.

Tanner's anguish stems from reports of new competitors scratching around in the rotisserie segment — long popular in Europe, Australia and Canada — where he staked his claim here back in 1986.

(See TANNER, page 83)

Small operators use creativity to fight giants

Deploy savvy marketing tactics as alternative to costly TV ads

by Bill Carlino

Although mega-dollar TV campaigns that heighten brand awareness and increase customer traffic are de rigueur for mammoth chains like McDonald's and Kentucky Fried Chicken, smaller operators with limited media budgets are finding marketing success through alternative advertising strategies.

Outdoor billboards, freestanding inserts, direct mail, radio spots, daypart entrée promotions, community and charity event sponsorship and a focus on local markets have allowed small and midscale operators to reach a wide customer base without sacrificing profits for expensive network buys.

"Every potential customer looks at the same TV tube and for the most part sees similar commercials," said Bill Baer, chief executive of the 23-unit Baldino's Giant Jersey Subs in Hinesville, Ga. "It

(See CHAINS, page 83)

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Page 44

What Gorby gorged on . .

by Alan Liddle and Tracey Woodard

Soviet President Mikhail Gorbachev tasted his way from Washington, D.C., to San Francisco following his summit conference with President Bush.

Stopping in St. Paul, Minn., Gorbachev got a taste of the Midwest at the home of Minnesota Governor Rudy Perpich.

Continuing on to San Francisco, Gorbachev and his wife, Raisa, were treated at the Fairmont Hotel to a meal anchored by roast rack of lamb, one of the Soviet leader's "favorite entrées," according to hotel food and beverage director Ernesto Brandner.

Security measures were tight at both locations, with the Secret Service and the KGB spot checking and tasting several meals before deciding which one went to Gorbachev. In addition, the Secret Service evacuated the dining sites to conduct explosives sweeps before the luncheons.

The St. Paul menu was prepared highlighting the region's products by the team of Stephan Pyles, chef-owner of Routh Street Cafe in Dallas, Tim Anderson, executive chef of Minneapolis' Goodfellow's, and Nathan Cardarelle, executive chef at the governor's mansion.

Appetizers of corn cakes with smoked salmon, crème fraîche and caviar, leek quichettes with saffron, Minnesota cheese puffs and egg herring and dill canapé were followed by pecan-breaded walleye with artichokes, smoked tomatoes and local garden greens, and veal medallions with Minnesota morel sauce and wild rice-corn compote.

Playing to Gorbachev's reported fondness for fresh fruit, dessert was minted sweet biscuits with early-summer strawberries, blueberries, raspberries, cherries, cream and caramel.

Preparations for the 60-per-

(See GORBY, page 4)

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 25 June 18, 1990

NEWS BRIEFS

ConAgra gobbles Beatrice for $1.3 billion

OMAHA, Neb. — In a bid to become the nation's second-biggest food company, ConAgra Inc. is buying Beatrice Co. for $1.34 billion in cash and stock.

The acquisition would make Omaha-based ConAgra second in revenue to only Philip Morris Cos., which owns Kraft General Foods, with sales of $39 billion in 1989. RJR Nabisco, with a volume of about $15.2 billion last year, would be third.

Beatrice, which had revenues of $4.3 billion last year, controls such well-known brand names as Hunt's tomato products, Wesson oil, Orville Redenbacher popcorn and Peter Pan peanut butter.

ConAgra, which grossed about $16 billion last year, already owns Armour meats; Banquet, Healthy Choice and Morton frozen foods; and Chun King and Patio ethnic prepared foods.

The transaction would represent the last piece of Beatrice that investment banker Kohlberg Kravis Roberts acquired in 1986 for $8.2 billion. Since then KKR has divested 10 Beatrice subsidiaries for about $7.7 billion.

But the price, about half of what close observers say KKR had expected, was depressed, they say, because of jitters on the junk-bond market and the October 1987 stock market crash.

KKR was also involved in the $25 billion deal for RJR.

Terms of the ConAgra-Beatrice deal include $626 million in cash, $355 million in ConAgra common stock, $355 million in two series of ConAgra preferred stock and $355 million in ConAgra common stock, making KKR, with an 18-percent stake, ConAgra's biggest single shareholder.

Gérard Pangaud ends solo flight after 5 months

NEW YORK — Gérard's Place, the 150-seat restaurant owned by chef Gérard Pangaud and restaurateur David Keh, has closed its doors.

The restaurant, which opened five months ago, was Pangaud's first solo endeavor after spending four years as executive chef at Joe Baum's acclaimed restaurant Aurora. Located on the residential Upper East Side, Gérard's Place specialized in home-style, moderately priced French dishes — a departure from the more elegant, pricier menus Pangaud offered at Aurora.

Pangaud was unavailable for comment.

McDonald's goes to the wall with nutrition notices

OAK BROOK, Ill. — Amid growing criticisms of its food's nutritional content, McDonald's is outfitting its U.S. units with posters detailing the composition of every permanent menu item.

The placard includes a breakdown of the foods' ingredients and nutritional characteristics. Previously, a booklet containing the same information was provided to patrons upon request.

The information will be posted in every domestic unit by July, McDonald's said.

In recent months the chain has drawn charges of serving food containing unhealthful amounts of fat and little nutritional value.

Hardee's rolls low-fat burger

ROCKY MOUNT, N.C. — Hardee's is rolling out a light hamburger containing an average of just 18 grams of fat, 30 percent less fat than the 3,300-unit chain's other burgers.

Topped with lettuce, tomato, pickle, onion, ketchup and served on a toasted sesame seed bun, the "Lean 1" is the first low-fat hamburger added to the core menu of a national quick-service chain, Hardee's maintained.

The product, which sold well during tests in Peoria, Ill., Charleston, S.C., Montgomery, Ala., and Harrisburg, Pa., will be rolled nationwide on a market-by-market basis. Television and radio spots plus in-store merchandising will help support the rollout.

The new burger is Hardee's latest step to distinguish itself as the hamburger chain with an eye on nutrition.

The first fast feeder to introduce all-vegetable oil for frying, Hardee's in recent years has added such products as a grilled chicken breast sandwich, prepackaged salads and low-calorie mayonnaise for its sandwiches.

"It's a product for the long run," said Hardee's spokesman John Merritt. "We want to get people back on burgers; we want to stop declining burger sales."

Mass. plans to crack down on child labor

BOSTON — Massachusetts is following the federal government's lead in launching a crackdown on violators of child-labor laws.

Aides to Gov. Michael Dukakis have aired plans to enforce more vigorously state regulations governing when and in what capacity a teenager can work.

In addition, education officials said they would survey school districts to assess the need for a new system of granting work permits to high schoolers.

In March, the U.S. Department of Labor conducted a "sweep" operation to catch businesses violating national child-labor regulations. Enforcement agents found more violators in Massachusetts than they did in any other state.

Nationwide, a large majority of errant employers were restaurants.

Hyatt disguises room service as Chinese takeout

CHICAGO — In a second attempt to steal sales from delivery specialists by posing as them, several Hyatt Hotels are offering guests in-room meals of Oriental food packaged to look as if it came from a local Chinese restaurant.

"We not only have the little cardboard boxes; we also put the boxes in a brown paper bag and staple a menu to it, just the way you get it from your local Chinese restaurant," said David Zadikoff, Hyatt's senior vice president of food and beverage operations. The meals are delivered to guests' rooms by room-service staffers.

The test program is an extension of Roberto's Pizza, Hyatt's defense against Domino's, Pizza Hut and other pizza deliverers.

After watching guests order those chains' pizzas in lieu of room service, Hyatt's food-and-beverage department began "delivering" its own pies. Although the pizzas were offered through room service, they were sold under the brand name "Roberto's" to make them seem as if they actually came from an Italian place.

Beer gardens open in Chicago as case goes to court

CHICAGO — Outdoor patios operated by liquor licensees on private property, classified as beer gardens, have opened temporarily pending legal challenges to Chicago's new stringent beer garden licensing law.

Lawyers for Bigsby's Bar & Grill and Las Fuentes have taken the matter to federal court, challenging the law's constitutionality. An estimated 100 other restaurants that operate beer gardens which did not meet the new law's requirements could not open until a Cook County Circuit Court judge intervened after the Memorial Day weekend.

The law, which does not apply to sidewalk cafes on city property, requires beer garden owners to complete an application process that delays getting a license for at least 51 days.

Roy Rogers rolls chargrilled chicken sandwich

BETHESDA, Md. — Roy Rogers has added a chargrilled chicken sandwich to menus in select markets for a limited time.

The sandwich, which is being promoted in New York, Philadelphia, and Washington, D.C., contains grilled chicken breast, lettuce, mayonnaise, pickle and tomato served on a Kaiser roll. It sells for between $2.79 and $3.25.

Marketing for Roy Rogers, which was acquired by Hardee's Food Systems Inc. earlier this year, continues to be handled separately from Roy's offices here.

FINANCIAL NEWS

Service America planning to restructure debt after second straight annual loss

by Milford Prewitt

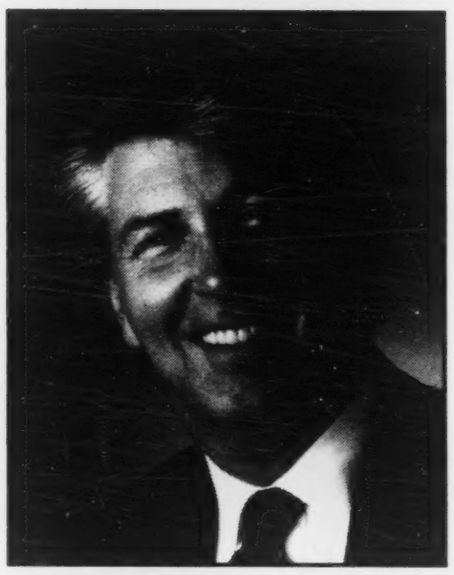
STAMFORD, Conn. — With its failure to post a profit for the second year in a row, Service America has fallen in default on a loan agreement while its major lender devises a plan to restructure its $195 million debt load.

At the same time the contract feeder has informed the Securities and Exchange Commission that as a result of posting no earnings for its fiscal year ended in March — which violates the terms of the loan — the company will submit a restructuring plan within 45 days. Though the plan is still being worked out, company officials said it will include a new bond offering on the company's $127 million subordinated debt.

The developments in Service America's financial condition come two and a half years after management bought the company from Allegheny Beverage in a $500 million leveraged buyout.

The company's financial health and cash flow has been adversely affected by three events, two long-term and one of a non-recurring nature. Those events are the near collapse of the junk bond market and high interest rates on junk bonds; the plant closings and layoffs underway among customers in the automobile and defense industries, where the company has major contracts; and a onetime expense related to the relocation of new executives and severance pay to satisfy contracts of executives who were let go after the LBO.

Steve Leipsner, president and chief executive officer of Service America, stressed that the plan to restructure does not mean that the company has defaulted on the loan.



Steven Leipsner

He said the terms of the company's loan agreements spell out that when Service America failed to post earnings, it defaulted on the provisions of the agreement but not on its ability to pay the loan.

He said the company's cash flow is strong.

Financial analysts speculated that Service America's major creditor — General Electric Capital Corp. — must have some serious concerns given the state of the junk bond market and the current fear of rising interest rates.

"We were in default when we didn't make our numbers," Leipsner said. "This company has gone through this before, and the lenders usually have given waivers. We have gone through a couple of years of waivers.

"But this time they've decided to try to help us to restructure our debt."

Leipsner insisted that the company is financially sound and is nowhere near a bankruptcy action.

"Everybody is restructuring debt these days," Leipsner said, "even Donald Trump, and he's in a lot worse shape than I am."

"We have made every loan payment ever since the company has been in existence, and we have paid our suppliers, employees and debt holders.'

Service America had been obligated to make a $10.8 million interest payment on its $127 million subordinated debt June 15. Leipsner said that with the restructuring going on, GE will decide if the company can still make the payment. In the meantime GE will not allow the company to tender any payments, interest or principal pending negotiations on the debt restructuring plan.

Leipsner said that it was too premature to discuss details of the restructuring other than to note that Merrill Lynch, the company's former bondholder, is working with GE Capital to offer a new subordinated debenture and that it would probably carry an interest rate of about 17 percent.

Service America, which is due to release its annual report in July, will report a loss, Leipsner noted. He declined to release the numbers beforehand.

For the fiscal year ended March 1989, Service America lost $14.4 million on revenues of $1.04 billion.

Despite the expected losses, Leipsner depicted the company's health as sound, noting that it is gaining a host of new clients in non-blue-collar industries.

"This is not really a bad time, and it is not bleak at all," Leipsner said. "It's like sitting down with your own checkbook and saying how am I go-

(See SERVICE, page 80)

FOOD PRICE OUTLOOK

Processed vegetable prices down

by Patt Patterson

Canners and frozen processors have strong carryover inventories of a number of vegetables at the beginning of the new pack. The result: Prices on old pack product are trending downward, particularly in truckload lots. Discounts should work through to distributor levels by the end of the month or early July.

Frozen **broccoli** is in good supply and prices are lower. Canned and frozen **green beans, peas** and whole kernel **corn** are also under list.

Effective canner prices for most California fruits are down, especially on truckload lots. **Cling peaches, fruit cocktail,** and **apricot** prices are all lower than list. Canned **pineapple** allowances from packers and importers have been announced for July.

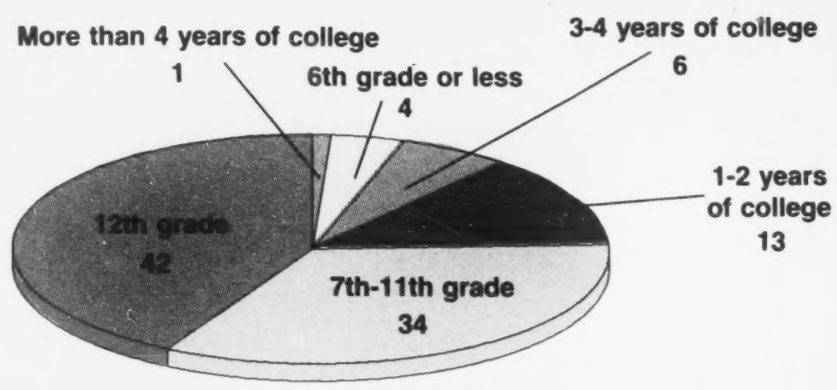
Fresh **potato** prices are drifting down as Idaho planting is completed. Frozen **potato** demand is up, with prices remaining high. Producers' stocks of raw **potatoes** are down nearly 20 percent from last year's figure. Fresh **carrots** from California are up in price. **Strawberry** prices are up following the end of May rains, which curtailed production. California Central Coast **iceberg lettuce** prices are low, with production heavy; some growers are cutting only to order.

Canned **ham** prices continue high. Imports are off normal by about 20 percent. Domestic ham prices are about 45 percent higher than last year's. Frozen **shrimp** prices are expected to move higher this summer on smaller imports. All the major exporting countries are shipping smaller volumes, from the leader China on down. Ultimate prices will depend upon U.S. production in the Gulf of Mexico, still a big question mark.

FACT FILE

Highest grade completed for individuals in foodservice occupations

(in percentages)



Source: Bureau of the Census, Current Population Survey, March 1988

FINANCIAL DIGEST

JB's profits gain as sales flatten

SALT LAKE CITY — JB's Restaurants Inc. reported a slim 2-percent rise in second-quarter revenues while net income for the period soared 75 percent.

For the period ended March 12, the 121-unit family-style restaurant operator made $284,000 on sales of $24.5 million. For the 24-week period, sales rose 3 percent, to $48.7 million, with a 32- percent profit gain, to $524,000.

Company officials said the continued weakness in state economies in the Southwest, the closing of two restaurants and a 2-percent decline in comparable-store sales were responsible for the softening in sales. Nevertheless, JB's enjoyed improved operating margins and lower interest expenses, which accounted for the hefty gains in profit.

Auditor named CFO at Ryan's Steak House

GREER, S.C. — Fred T. Grant, a certified public accountant who joined Ryan's Family Steak House's executive ranks about six months ago, has been named vice president of finance and chief financial officer.

Grant had spent nine years with two Big Eight accounting firms, Deloitte Haskins & Sells and Peat Marwick. In his five years at Marwick, Grant worked on Ryan's audits and a variety of manufacturing and health care clients.

Meanwhile, the company attributed a 20-percent drop in first-quarter net earnings to the spring baseball strike and bad winter weather.

For the period ended April 4, Ryan's sales rose 10.6 percent, to $12.9 million, while net income declined more than $100,000, to $395,100.

Cattleguard posts $1.8M annual loss

HOUSTON — Cattleguard's losses widened in fiscal 1989 to $2.5 million despite a 153-percent increase in revenues, to $4.7 million, for the year ended Dec. 31.

Cattleguard, which operates 36 Sears Bakery, Deli & Cafes, attributed the losses to increased corporate and administrative costs and lower sales volumes.

Spaghetti Warehouse income up 64%

GARLAND, Texas — Four new restaurants, increased traffic and lower same-store operating expenses helped the Old Spaghetti Warehouse carve out a 64-percent increase in profit, to $790,200, on a 40-percent revenue gain, to $10 million, for the third quarter.

For the 39 weeks ended March 31, OSW's revenues climbed to $26.6 million, a 30-percent increase over the year-ago level. Net income for the period soared 52 percent, to $1.9 million.

William B. Rea, vice president and chief financial officer, said the company is becoming more adept at managing its labor costs and general overhead expenses.

During the nine-month period, the company opened new restaurants in Syracuse, N.Y.; Rochester, N.Y.; Oklahoma City; and Pittsburgh. In all, OSW operates 15 inexpensively priced Italian restaurants.

Rally's 3rd-Q net income soars 118%

LOUISVILLE, Ky. — Rally's rode a skyrocket in the third quarter, reporting a 118-percent increase in net income, to $933,947, on a 37- percent revenue gain, to $17.4 million, for the period ended April 1.

During the 39-week accounting period, net income grew 91 percent, to $3.1 million, on a 35-percent increase in sales, to $50.2 million.

The company said the results were particularly satisfying since Rally's experienced a tripling in food costs stemming from the Christmas week cold wave. But the company said it maintained menu prices and did not sustain a slowdown in traffic.

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 26 | Published every Monday by Lebhar-Friedman Inc. $3 per issue | June 25, 1990

NRN Photo

Harriet Crommelin, owner of Kat & Harri's and the Bistro.

Deep Dixie dining: Casual upstarts stir Montgomery

by Jack Hayes

MONTGOMERY, Ala. — While veteran tablecloth operators here weep over slumping patronage at some of the city's traditional restaurants, a handful of upstart newcomers are pushing short menus, sharp prices and strong-fisted chefs — all packaged in casual neighborhood ambience — to keep their dining rooms filled.

Kat & Harri's, Jubilee Seafood and Vintage Year -- operated respectively by a real-estate broker, a sport fisherman and a onetime medical salesman — are even pushing expansion outside their already successful concepts.

"We'll do $1.35 million this year; we're up 25 to 30 percent," says Harriet Crommelin, who has survived losing a partner and three chefs since she opened Kat & Harri's in

(See CASUAL, page 4)

Final showdown looms in family leave feud

Operators eye partisan fight over mandated worker benefit

by Peter Romeo

WASHINGTON — The foodservice industry is bracing for a last-ditch attempt in Congress to enact legislation that would grant extended furloughs to workers facing extraordinary situations at home.

The bill would require large businesses to provide staffers with as many as 12 weeks of unpaid leave time to care for a newborn infant or an ill family member. The employees would be guaranteed their former jobs or comparable positions upon their return.

President Bush has promised to veto the legislation, which was passed two weeks ago by the Senate after sailing through the House in May.

But, mindful of upcoming elections, congressional leaders are mustering their forces to override the veto. They are striving to draw the White House into a political battle where a presidential victory would make Republicans seem

(See PARENTAL, page 4)

Family leave bill at a glance

WHAT: Requires large businesses to grant staffers up to 12 weeks of unpaid leave every year to care for a newborn baby or a seriously ill family member.

WHO IS AFFECTED: Any business employing at least 50 persons at a single site.

WHICH EMPLOYEES WOULD QUALIFY: Any staffer who worked at least 1,000 hours during the 12 months preceding the furlough. The employee may be required to present a physician's report verifying that the leave is necessitated by a family member's ill health.

TOTAL COST: $330 million during the first year the law is in effect, according to the General Accounting Office.

Service helps operators stave off NY sales slump

by Milford Prewitt

NEW YORK — The restaurant industry may be in a downturn, but a group of high-profile Manhattan restaurateurs and foodservice executives told a gathering of colleagues and analysts that by some measuring sticks, their businesses have never been better.

In both panel discussions and individual presentations, the operators combined personal business philosophies, hands-on anecdotes and peeks into their operating secrets to show how they overcame bad times to enjoy their current prosperity.

They were speaking at Laventhol & Horwath's half-day forum, Restaurants in the 1990s: Strategies for profit and growth. Laventhol & Horwath, accountants and hospitality consultants, resumed the annual seminar after a 10-year hiatus.

(See OPERATORS, page 65)

Zagat: NY restaurant slump exaggerated

See page 22

Winchell's repositions for better image

Company hires new management team, adds items to attract more customers

by Alan Liddle

VANCOUVER, British Columbia — Winchell's Donut Houses, the 617-unit California-based chain sold by Denny's Inc. and partners last year, has reversed its negative cash flow and is being repositioned by a new management team to attract afternoon and evening customers.

Brad Bond, a high-ranking executive with Winchell's parent, Shato Holdings Ltd. of Vancouver, said the alteration calls for the menu to be "significantly expanded" beyond the doughnuts, muffins, brownies and beverages the chain now sells.

"About 70 percent of our sales are [completed] before noon. We have to get the stores more active during afternoon and evening dayparts," Bond, Winchell's chairman, said, explaining why the chain wants to add menu items.

But Robert Galastro, who joined La Mirada, Calif.-based Winchell's as president earlier this year, emphasized that while the menu would grow, "we don't want to get out of our niche."

"It wouldn't make sense to grill hamburgers in the middle of Winchell's," explained Galastro, the former operations vice president of International House of Pancakes. "We may do some sandwiches, but you won't see us doing Sbarro-style pastas."

(See WINCHELL'S, page 65)

INSIDE

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Charles Bernstein/Page 27

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In honor of the Fourth of July holiday, Nation's Restaurant News will not be published next week. The next issue will be July 9.

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 26 June 25, 1990

NEWS BRIEFS

Mecca Leisure to invade California with theme outlets

ORLANDO, Fla. — Mecca Leisure USA, Inc., which operates seven major restaurants and entertainment-dining attractions in central Florida, will clone three of its biggest-grossing theme concepts in Southern California beginning next spring.

Under a new West Coast division called L.A. Entertains, Mecca will open an 800-seat King Henry's Feast near Disneyland in Anaheim, Calif., and an 800-seat Wild Bill's Western Dinner Extravaganza near Knott's — formerly Knott's Berry Farms — in Buena Park, Calif. Both units will begin operating in early 1991.

The third unit, to open at a later date, will occupy a site at or near Universal City in Hollywood, said Mecca Leisure USA president Robert Earl.

A subsidiary of Mecca Leisure Group PLC of London, Mecca Leisure USA also operates Hard Rock Cafes in Dallas; Boston; New York; and Washington, D.C.; at Universal Studios here; and in eight cities outside the United States. It also operates Caruso's Palace and Lombard's Landing here under its Orlando Entertains division.

Wendy's settles lawsuit over Carl Karcher purchase

DUBLIN, Ohio — Wendy's International Inc. and Carl Karcher Enterprises Inc. have settled a legal dispute stemming from CKE's purchase of 10 Wendy's units from Arizona Wendy's franchisee Ronald Brown.

In the lawsuit Wendy's contended that CKE's purchase of the 10 units from Brown's company, Wendy's of Tucson Inc., constituted an unlawful interference with Wendy's contractual and business relationships with Brown's company and violated the terms of its franchise agreement. CKE targeted the 10 units for conversion into Carl's Jr. restaurants.

In the settlement Wendy's approved the sale of the 10 properties by Wendy's of Tucson to CKE and agreed to dismiss its claims against CKE, Brown and Wendy's of Tucson. As part of the settlement, CKE agreed that no future purchase of franchised Wendy's outlets would occur without prior written consent of Wendy's International.

New Minnesota law allows 'doggie' bottles of wine

ST. PAUL, Minn. — A new Minnesota law allows restaurant patrons to transport opened, recorked bottles of wine in their cars.

The law is consistent with crackdowns on drunk driving because it encourages people to stop drinking when they feel they've had enough, according to the Minnesota Licensed Beverage Association, which introduced the legislation. The group expects restaurants will sell more bottled wine because of the new law.

To comply with the legislation, people cannot open or drink the wine in a moving vehicle.

Swiss Grand opens Land of Plenty

CHICAGO — The Swiss Grand Hotel has opened a regional American restaurant in place of the former Le Prince, which closed less than a year after opening.

Called Land of Plenty, the 60-seat fine-dining restaurant accents seasonal products selected from small farms and markets around the country, said Nicolas Daeppen, director of food and beverage. Many ingredients used are raised without pesticides or hormones "to give people the best products we can find," said Stephen Virion, executive chef.

In contrast to the much-publicized opening of Le Prince, largely the creation of famed consulting chef Louis Outhier, Land of Plenty opened quietly, with direct mail the only initial marketing tool. Daeppen forecasts a $40 check average, about half that at Le Prince.

Kumar assumes control of Larry's

TAMPA, Fla. — Larry's Ice Cream and Yogurt Inc., operator here of the 48-unit Larry's treat chain, has named Roger Kumar Sr. its new chief executive.

Kumar, who currently holds a majority of Larry's stock, was the owner of Ellis Park Racetrack Inc., a Hendersonville, Ky., racetrack that was sold last February.

Following that transaction, Kumar joined Larry's as a director. Until his appointment, the chief executive's slot at Larry's had been vacant.

Kumar's prior foodservice experience includes ownership of a combination family restaurant and catering operation in Tampa.

Chicago Sizzler licensee closes remaining units

CHICAGO — Losing money and facing an injunction and eviction actions, a Sizzler franchisee with a $25 million breach of contract and bad-faith suit against Sizzler has shut down the remains of his once 21-unit franchise.

Tony Basile — whose two companies constituted the third-largest franchise in the Sizzler system, with FBN Food Services operating nine units in Chicago and Midwest Restaurant Concepts running 12 in the suburbs — said the financial strain of the action forced him to close FBN's city units and lay off more than 350 people.

About a month earlier Midwest had to sell its 12 units back to Sizzler for $3.5 million when bankers activated a clause in a guaranteed loan that allowed the franchisor to assume the restaurants if the franchisee's financial condition became perilous. Basile said the company was not in bad financial shape but asserted that the banks activated the clause when Sizzler threatened not to guarantee the loan and wrote a letter to lenders, falsely accusing the company of near insolvency.

Sizzler executives said it was their responsibility to inform the bank of Basile's financial condition.

Trouvaille enlists Pangaud as chef to revamp concept

NEW YORK — Gérard Pangaud, former chef and co-owner of the recently closed Gérard's Place here, has signed on as chef of the 70-seat French restaurant Trouvaille.

Pangaud, who closed the 5-month-old Gérard's Place, which he co-owned with David Keh, about three weeks ago, will oversee several key directional changes at Trouvaille.

The restaurant will be renamed La Belle Creole in July and will feature "simpler, French bistro dishes, about half of which will have a New Orleans' Creole accent," according to manager David Richards. Prices will be reduced, with all appetizers listed at $7, entrées at $18 and desserts at $6.

In addition, Yvonne Bell, owner of Lola's here, has been retained as a consultant to help give the restaurant a livelier atmosphere. In the future La Belle Creole is expected to feature a Bourbon Street Blue's Brunch with live music on weekends.

Inter-Continental cuts 175 staffers, moves to London

MONTVALE, N.J. — Inter-Continental Hotels Corp. will consolidate its corporate administration at new headquarters in London, laying off 175 corporate staffers and closing its offices here.

Meanwhile, the company has named John Van Praag chief executive, replacing John Calvert, who has chosen to remain in North America and is expected to serve as a senior adviser to the chairman of Saison Overseas B.V., which owns Inter-Continental. Saison Overseas is owned by Saison Group of Japan and SAS International Hotels.

Inter-Continental said that the move from Montvale, N.J., is part of a restructuring program that will result in the formation of two operating divisions — the Inter-Continental and the Forum Hotel chains. The company is targeting growth in the European Economic Community and Eastern Europe.

The personnel cutbacks, which are expected to save more than $20 million annually, will come mostly from internal services, the company said.

FINANCIAL NEWS

Acquisitions, joint ventures breathe new life into hotels

by Milford Prewitt

NEWS ANALYSIS

Like Mark Twain, whose death was prematurely exaggerated, the American hotel industry, while not in the strongest shape, is at least breathing, as evidenced by a sudden wave of acquisitions, joint ventures, increased foreign investment and somewhat improved profits.

The persistently pessimistic investment reports and gloomy marketing trend studies that have depicted the hotel industry in a paralytic state have missed the capital restructuring that is changing the shape and ownership positions in the segment.

Several major hotel concerns are involved in various stages of acquisition or divestment, and another two have teamed up with overseas investors — primarily from Hong Kong — to pump new capital into the companies.

Moreover, for an industry widely reported to be on its death bed, some recent earnings statements show that some hotel companies are enjoying a healthy return on investment and, most important, are gaining higher occupancy rates.

Among those reflecting both a change in ownership and reporting profits at the same time is the new hotel company, Promus Cos., which was spun off from the Holiday Corp. to shareholders in a $1 billion deal in February.

Promus Cos. (pronounced promise) owns and operates Holiday Corp.'s former hotel brands, Harrah's casino and hotels, Embassy Suites, Hampton Inn and Homewood Suites.

Led by its Las Vegas, Nev., gaming operations, the new company reported first-quarter net income of $17.6 million on a 7- percent rise in revenues, to $233.8 million, for the period ended March 30.

"This first quarter for our new company gets us off to an excellent start," said Michael D. Rose, chairman, president and chief executive officer of Promus. "We were able to complete the reorganization of Holiday Corp. and pay the special dividend, achieve record operating income and continue to build and expand our business for future growth."

Despite industry reports of overcapacity, Promus intends to keep expanding its operations. The company said 54 hotels, currently under construction, would be added to the 322 it already operates.

The Hilton Hotels Corp., also mindful of the industry's oversupply, is similarly looking to expand through acquisition and room additions to existing buildings. But Hilton is putting the premium on cautious growth.

Less than a year ago, the Hilton had been put up for sale, but the offer, after several months of negotiations with foreign and domestic bidders, was scrapped when bids failed to meet management's expectations of the company's worth.

"The hotel industry is overbuilt," Barry Hilton, chairman and president of the Hilton Hotels Corp. told a recent gathering of Wall Street analysts. "But in adversity there is opportunity.

"We will be alert to opportunities to make timely acquisitions at attractive prices. In this way we can grow without adding more capacity to the market."

Already the company has started construction on a 733-room addition to the Flamingo Hilton in Las Vegas. When finished, the facility will have 3,558 guest rooms. In August, the Hilton will open a 2,000-room hotel in Laughlin, Nev.,

*(See **HOTELS**, page 58)*

Major repositionings in the hotel industry

Company	Transaction	Status
New World Hotels Ltd, Hong Kong	Has sold 17 Ramanda Inns for $183 million	Finished
Prime Motor Inns Inc. Fairfield, N.J.	Sold 100 percent interest in Ramada and Howard Johnson franchise rights to Blackstone Capital Partners L.P. for $170 million	Finished
The Four Seasons Hotel, Toronto	Wants to sell some or all of its assets	Looking for bids
La Quinta Motor Inns, San Antonio, Texas	Establishing $150 million fund with Hong Kong investor for the purpose of buying distressed hotels	Nearly finished
Embassy Suites, Memphis, Tenn.	Sold 90 percent stake in La Jolla Limited Partnership, a 335-room Embassy property in La Jolla, Calif. to overseas investors for $57.9 million.	Finished

Marital status of individuals in foodservice occupations
(In percentages)

Source: Bureau of the Census, Current Population Survey, March 1988

FINANCIAL DIGEST

Uno net income gains 19% in 2nd Q

BOSTON — Uno Restaurant Corp., operators of the Pizzeria Uno restaurant chain, reported a 19-percent increase in net income, to $773,000, on a 36-percent boost in revenues, to $13 million, for the second quarter, ended April 1.

The company attributed an aggressive expansion drive, particularly in the New York metropolitan area, for a 31-percent jump in revenues during the six months, to $24.7 million, which resulted in a 26-percent increase in net income, to $1.6 million.

"We are in the midst of an extremely aggressive expansion schedule that has resulted in 21 new restaurants opened in the last 12 months, with some 20 to 25 scheduled openings during the next 12 months," said Aaron Spencer, chairman and chief executive officer, in a statement.

The company has a $10 million private-debt placement with Cigna insurance company to finance its expansion.

Preopening expenses drove margins down, though the higher sales levels from the new units helped reduce general and administrative expenses as a percent of sales.

During the quarter sales at company-owned units increased 3.5 percent. The company operates 27 of 71 restaurants.

Skolniks' earnings rise 50% in 3rd Q

LOUISVILLE, Ky. — Increased franchise fees and higher profitability from company operations helped Skolniks' earnings rise 50 percent, to $85,799, on a 16-percent gain in revenues, to $2.9 million, for the third quarter, ended April 29.

During the nine-month period, earnings climbed 311 percent, to $436,102, on a 31-percent revenue increase, to $9.6 million. In addition to higher franchise fees and profitability, Joe R. Love, chairman, said the company's general and administrative expenses had decreased.

Skolniks operates 40 bakery and bagel restaurants in 10 states, primarily in the Northeast and Midwest.

Mecca Leisure rejects suitor's takeover bid

LONDON — Mecca Leisure, a restaurant and hospitality company, which lists the Hard Rock Cafe among its diversified portfolio, has rejected a takeover bid by the Rank Organization, a London-based communications and entertainment conglomerate.

Rank had offered 512 million pounds, about $819 million at recent rates, for Mecca Leisure, but the quarry rejected the bid.

Mecca Leisure, also based in London, is the parent company of Mecca Leisure USA, formerly known as Pleasurama USA, the Orlando, Fla.-based operators of 11 Hard Rock Cafes and scores of theme parks, specialty restaurants and nightclubs throughout the United States.

In a 15-month reporting period ended December, Mecca Leisure reported a 160-percent increase in profit, to 91 million pounds or $145.6 million, on a 119-percent increase in sales, to 568 million pounds or $908 million.

ShowBiz stock price hits 52-week high

DALLAS — The stock price for ShowBiz Pizza Time Inc. hit a new 52-week high, rising to $28.25 in recent trading.

The surge began during the week of June 11 during heavy trading. Since going public in January 1989 with an initial offering of $5.25 a share, ShowBiz Pizza Time has had an uninterrupted streak in earnings and share appreciation. For the first quarter, ended March 30, it reported a 90-percent gain in net income, to $4.8 million, on a 7-percent rise in revenues, to $47.4 million.

FOOD PRICE OUTLOOK

Meat prices to remain high

by Patt Patterson

Although production is estimated to be a bit larger this year than last, increased demand will keep prices up, according to U.S. Department of Agriculture economists. The increased demand has reduced inventories of frozen beef to about 20 percent from last year at this time, and prices reflect the drop.

Pork production is down and is expected to stay down for most of the year. The U.S.D.A. is forecasting prices to be 9 percent to 13 percent higher in the fall than they were last year. However, in the past, when pork prices moved up that much, farmers started farrowing herds again, and if that happens this year, prices will start dropping in the last quarter.

One cloud on the horizon is the supply of corn and soybeans. Rainy weather in late May and early June curtailed planting in the major Iowa, Nebraska, Illinois and Missouri areas. At presstime it was too early to determine if farmers would be able to get all the acreage in that they had planned. A tight feed supply could cut production and kick up prices for both beef and port.

Lamb production has continued to grow over the past several years, and this year is no exception, with the first quarter showing a 6-percent rise. Demand has not risen quite as quickly, with inventories built up to more than 25 percent greater than last year's.

Imported ham prices keep moving up. Polish hams have almost stopped coming in, although that country in May announced a rise of 10 cents a pound. Yugoslavian hams also are in short supply, and Hungarian are not much better.

The U.S.D.A. forecasts more milk this year, which means cheese makers may be able to increase output. Especially tight, with higher pricing, are Italian-style cheeses and Cheddar.

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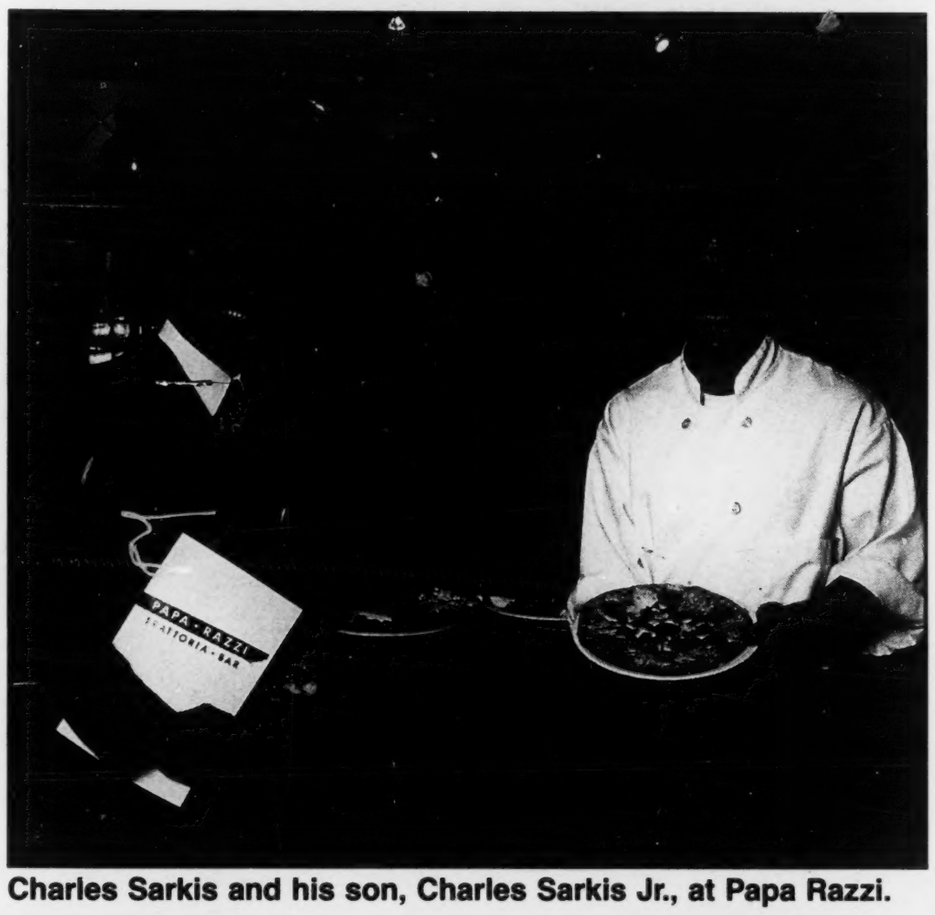
Vol. 24, No. 27 | Published every Monday by Lebhar-Friedman Inc. $3 per issue | July 9, 1990



Charles Sarkis and his son, Charles Sarkis Jr., at Papa Razzi.

Sarkis goes Italian with California flair

by Paul Frumkin

BOSTON — After spending 25 years building a profitable collection of casual American-style restaurants, Boston entrepreneur Charles Sarkis has returned to his early industry roots with the opening of Papa Razzi, a moderately priced Italian trattoria with California overtones.

"I've come full circle," declared Sarkis, the 50-year-old founder, chairman and president of the 17-unit Westwood Group, based here.

And yet there is a considerable generation gap between the 140-seat Papa Razzi, which specializes in pasta and thin-crust pizzas, and Sarkis' first restaurant, Boraschi's Cafe.

"I started in 1965 in the Italian restaurant business with Boraschi's," he said. "But then the menu was all heavy red sauces. Papa Razzi is much more contemporary."

Sarkis — who has developed his $40 million New England restaurant empire based on such operations as J.C. Hillary's, Charley's Eating & Drinking Saloon and Joe's American Bar & Grill under the Westwood Group umbrella — said that Papa Razzi had been on the drawing board for the past two years.

"I saw it as the next logical step for us," he explained. "It features a menu that is lighter and more healthful, the style of Italian food you find offered in California restaurants like Spago."

The majority of Sarkis' restaurants emphasize fresh but quickly prepared fare, such as burgers, salads and sandwiches — with the exception of the Famous Atlantic Fish Co.,

(See PAPA RAZZI, page 69)

INSIDE

Bright spot on merger-mania landscape
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Texas teaches a lesson in politics
Rick Telberg/Page 28

Hot beverages brew up profits
Focus/Page 31

Energy-saving trends dominate NRA exhibits
Patt Patterson/Page 42

Battle over disabilities act . . .

Foodservice fights to revive AIDS clause

by Peter Romeo

WASHINGTON — Foodservice lobbyists are struggling to revive legislation that would permit restaurateurs to shift staffers with AIDS into jobs where they would not handle food.

The fight promises to be a difficult one, pitting the industry against some of the Senate's most powerful figures.

The Bush administration's top health official also opposes the measure, which was approved by majorities in both the House and the Senate before being killed by a joint committee. However, President Bush has not revealed his position to the so-called Chapman amendment.

"If we can keep the White House out of this and if we can keep the votes that we have, then we've got a chance," said Mark Gorman, who leads the National Restaurant Association's lobbying team. "But if we lose [Senate minority leader Robert] Dole's support and a few other votes, the whole thing could be gone.

"I don't know what's going to happen," he said.

The industry has argued that it needs the Chapman

(See AIDS, page 69)

What is the Chapman Amendment?

A former component of the House's Americans with Disabilities Act, the measure would have exempted foodservice operators from the ADA's requirements that employees with AIDS or other disabilities be granted the same rights and privileges as their able-bodied peers. It would have permitted foodservice employers to reassign infected staffers out of food-handling jobs and into positions with comparable compensation, provided that the employee could perform the job.

Food industry pumps $4.5M to 95 senators

Common Cause details PAC donations

by Peter Romeo

WASHINGTON — In a struggle to shape federal legislation, the food industry plowed more than $4.5 million into the campaign funds of 95 U.S. senators between 1983 and 1988, according to a study circulating on Capitol Hill.

The trade ranked fifth among the six industries whose campaign contributions were detailed by Common Cause, a group striving to overhaul federal fund-raising regulations.

Topping the list was the finance industry, whose political action committees (PACs) contributed $8.5 million during the five-year study period. Trailing the pack was the health-care field, which donated approximately $4 million.

The restaurant industry has been striving to bolster its might on Capitol Hill by enlarging its campaign-fund kitty. The National Restaurant Association's PAC, which spent $405,000 during primaries and elections in 1987 and '88, has vowed to collect and spend $700,000 on races culminating in November 1990.

The money is donated by NRA members.

"A lot of restaurant operators have made a determination that politics is something

(See PAC, page 68)

Mecca reverses, takes Rank offer

by Milford Prewitt

LONDON — In a sudden turnabout, Mecca Leisure PLC, the international restaurant and theme park conglomerate, has agreed to be acquired by The Rank Organisation for 512 million pounds, or $819 million.

No more than three weeks ago, Mecca Leisure chairman Michael Guthrie asserted at the annual shareholders meeting: "We know our market place. We have been in it for over 100 years. We do not need Rank to help us."

MECCA LEISURE USA, INC.

But since rejecting the diversified communication giant's initial overtures, Guthrie has had emergency heart surgery. While he is reported to be recovering, his involvement in the company's day-to-day operations has been substantially reduced.

Mecca Leisure is the parent of Mecca Leisure USA, Orlando, Fla., operator of 11 Hard Rock Cafe units and dozens of restaurants, nightclubs and theme parks.

London-based Mecca Leisure stated that the merger

(See MECCA, page 69)

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 27 July 9, 1990

NEWS BRIEFS

Calif. Restaurant Association favors state smoking ban

LOS ANGELES — The California Restaurant Association shocked foodservice operators statewide by dropping its opposition to smoking bans and drafting its own legislation to prohibit all smoking in public places, including restaurants and bars.

CRA officials said they were seeking a lawmaker to sponsor their no-smoking bill. "The CRA supports the establishment of laws directing the regulation of smoking when such laws include the regulation of smoking in all public places throughout the State of California, without exclusion or exception," the association said in a prepared statement.

But, "until such laws are enforced on a statewide basis, the CRA opposes the regulation of smoking in restaurants, while urging the restaurant industry to respond to consumer preferences by voluntarily establishing sections in restaurants that provide adequate accommodations for non-smoking customers."

CRA officials indicated several factors were behind the group's about-face on smoking regulations, including new scientific reports on the dangers to non-smokers from secondary smoke; rising public preference for smoke-free environments; the growing number of varied, and thereby confusing, local smoking regulations; and concerns about employer liability related to employees working in areas permitting smoking.

President vetoes family leave bill

WASHINGTON — President Bush has kept his vow and vetoed legislation requiring large companies to grant employees as much as 12 weeks of unpaid leave to deal with the birth or illness of a family member.

In rejecting the family leave bill, Bush said it was important for employers to voluntarily offer the extended furloughs but stressed that the benefit should not be mandated by the federal government.

"If our nation's employers are to succeed in an increasingly complex and competitive global market, they must have flexibility," he said in a prepared statement.

That theme was stressed by the restaurant industry and other trades during intense lobbying against the bill. Before the measure was approved by Congress, Bush promised business leaders that he would veto the measure.

D.C. bill requires safety courses for delivery drivers

WASHINGTON — Mayor Barry has signed a bill that requires drivers who deliver pizza and other food to private residences in the District of Columbia to take safe driving courses and be covered by commercial insurance.

The bill, which becomes law pending a routine, 30-day congressional review, also would require all delivery vehicles to be inspected in the District each year, regardless of where the vehicles are registered.

Aimed at slowing down area delivery drivers, the bill was prompted by resident complaints, according to D.C. Council member Jim Nathanson, who proposed the legislation. A clause that would have banned companies from promoting time guarantees on deliveries was removed before the bill was approved by the council.

Texas tempers drink promos

AUSTIN, Texas — State authorities here are restricting happy hours, banning ladies nights, and prohibiting two-for-one drink specials, but industry lobbyists are claiming it as a victory.

"It could have been much worse," said Richie Jackson, executive vice president of the Texas Restaurant Association, which, along with the Bar Owners Association of Texas, fought the proposals since they were first floated a year ago.

But Milo Kirk, a vice president of Mothers Against Drunk Driving, said the new rules did not go far enough, asserting, "They need to take it a step further and do away with happy hour altogether."

Specifically, the three-person Texas Alcoholic Beverage Commission banned: multiple-drink specials; ladies nights; all-you-can-drink events; nickel-beer promotions; happy hour prices after 11 p.m.; free drinks except for weddings, birthdays, anniversaries or instances of "normal business practices;" contests based on alcohol consumption or in which drinks are awarded as prizes; and bar signs, billboards or other ads with prices visible from the street.

Feds aim for safer meat patties

WASHINGTON — The federal government is taking steps to safeguard the public from perceived health dangers posed by uncured meat patties wholesaled to restaurants and supermarkets.

A meat processors' trade group, which called the measures unnecessary, said the steps could result in higher prices of restaurant staples as hamburgers and pork sausage patties.

Attributing several incidences of foodborne illnesses to the patties, the U.S. Department of Agriculture plans to require suppliers to follow stricter processing procedures and provide handling instructions for customers such as restaurants. The U.S.D.A. is seeking public comment about the proposals.

The regulations would cover such fully and partially cooked items as salisbury steaks, chopped veal steaks, and hamburgers emblazoned with grill marks.

"We have real problems with the proposals," said Dr. James Marsden, vice president of scientific and technical affairs for the American Meat Institute, a meat suppliers' trade association here. He said that the U.S.D.A. is basing the need for regulations on three situations where a health danger was either never verified or never traced to meat patties.

Chez Panisse's Guernsey dies

BERKELEY, Calif. — Royal Thomas Guernsey III, who rose from bartender to become president of the landmark Chez Panisse restaurant here, has died of AIDS. He was 42.

Born in Kansas City, Mo., Guernsey attended Claremont College and served as a Peace Corps volunteer in Panama before joining Chez Panisse.

Under chef-owner Alice Waters, the highly successful restaurant and cafe was instrumental in launching the influential California culinary movement.

At his death, Guernsey was a member of the restaurant's board of directors in addition to being its corporate president.

East German workers protest against unification

BERLIN — Restaurant employees were among the East German workers who walked off their jobs for an hour to express concerns about the nation's economic reunion with West Germany.

The demonstrators said they feared that the economic unification would leave East German businesses vulnerable to domination by West German concerns eager to enlarge their markets.

A number of American-based fast-food chains have already established a presence in West Germany. Those players have not yet disclosed whether they will expand eastward into the capitalistic nation's formerly Communist neighbor.

Crime spree hits Dallas restaurants

DALLAS — With the arrest of one member of a street gang, police here said they were close to ending a five-week series of daring latenight robberies that left local operators and their patrons terrorized.

More than a dozen restaurants here, ranging from a Whataburger to a T.G.I. Friday's, had been hit since May by masked gunmen shortly before closing who allegedly emptied cash registers and demanded patrons' wallets and valuables.

A 20-year-old man was arrested at about 2:30 a.m. after leading Dallas police on a chase in a car which had been stolen earlier during a robbery of four customers in the parking lot of a Taco Bueno fast-food outlet, police said.

The man named other ring members and warned that the ringleader had vowed not to be taken alive.

FINANCIAL NEWS

Coniston disbands, but keeps investment in TW Holdings

by Milford Prewitt

NEW YORK — Coniston Partners, the corporate takeover raiders who waged a costly and contentious campaign in its bid to acquire TW Services, will disband and return the core of its $700 million investment pool to its investors.

But the equity partnership of founders Keith R. Gollust, Paul E. Tierney Jr. and Augustus K. Oliver will continue to retain their investment in TW Holdings, the company formed to buy and operate TW Services, the diversified foodservice operator best known for its Canteen contract feeding division and Denny's, the largest family dinner-house chain.

As a result of the three principals' continued investment in TW, executives for the Spartanburg, S.C.-based restaurant conglomerate said they expect no change in the operations of the company.

"The recent announcement by Coniston Partners to restructure its business will have no effect on the operations of TW Holdings Inc. and TW Services Inc.," said Jerome J. Richardson, president and chief executive officer of TW Services Inc. "Coniston's decision is yet another example of its ability to adapt its talents to the current business environment."

The three partners of Coniston will move to the opposite spectrum of corporate realignment by becoming venture capitalists and a source of financing and assistance for troubled concerns.

Analysts suspect that the business environment Richardson may be referring to is the higher costs of takeovers amid a resurgent stock market. In reaching record highs during the past two quarters, the stock market's bullish performance has had the effect of reducing the number of undervalued companies takeover artists like Coniston normally targeted.

Moreover, with the takeover and leveraged buyout boom of the 1980s resulting in scores of precariously highly leveraged companies whose cash flow can barely service the debt, banks and investors have been unwilling to finance the mega-dollar deals aggressive raiders of the 1980s pursued.

Although all of the principals at Coniston were either unavailable for comment or did not respond to phone inquiries, Gollust has previously indicated that the market Coniston thrived in no longer exists.

> In acquiring TW, Coniston for the first time owned a company lock, stock and barrel.

"The very favorable environment that encouraged this type of activity [pursuing undervalued companies] has changed," Gollust was quoted as saying. "The business that we used to be in we don't plan to be in anymore."

For nearly nine months between mid-1988 to early 1989, Coniston was relentless in its chase for TW.

Executives at TW threw up many road blocks, including a plea to its shareholders not to sell out, canceling its annual shareholders meeting to avoid placing two Coniston representatives on the board and erecting a poison-pill defense.

Coniston fought back with lawsuits to dismantle the poison pill, but when that effort failed, Coniston persisted until it finally bagged the restaurant industry's fourth-largest operator in June 1989 for $1.7 billion, or $34 a share.

In acquiring TW, Coniston for the first time owned a company lock, stock and barrel. Up until then Coniston usually had been a major shareholder.

At one time Coniston's takeover targets were the types of well-known but undervalued companies that raiders like Frank Lorenzo, Marvin Davis or Victor Posner would have hounded. Among them were Allegis Corp., former parent of United Airlines and Gillette Inc.

Since the acquisition, TW Services has been selling off a number of non-strategic subsidiaries for the express purpose of reducing debt. Just recently the company sold its Milnot Co. division, a canned milk products and meat-based product supplier, for $25 million in cash to Eli S. Jacobs and Engles Capital Corp in Dallas.

TW Services flagship operations, however, are being infused with expansion and remodeling dollars. In addition to Canteen, TW Services runs 1,007 Denny's family restaurants, 470 Hardee's restaurants, 213 Quincy Family Steakhouse chains and 206 El Pollo Loco units.

The company recently inked a new territorial agreement with Hardee's, calling for development of an additional 145 Hardee's restaurants over the next five years. About 100 of the new units are slated for Ohio and western Pennsylvania, with the rest planned for TW's existing Southeastern territory.

For the first quarter ended March 31, TW Holdings lost $46 million on revenues of $862 million, an 8-percent gain over last year's results.

FOOD PRICE OUTLOOK

Canned mushroom squeeze coming

by Patt Patterson

The Food and Drug Administration is continuing its detention and rejection of mainland China's **canned mushroom** imports into this country. As a result, in the first quarter of the year, 45 percent of U.S. mushroom imports came from Hong Kong. Now the FDA has announced automatic detentions of mushrooms from three of Hong Kong's major packers, and more may be targeted later.

Look for the canned-mushroom supply to get tighter this year, even though U.S. canners are working flat out to increase their packs.

Torrential Midwestern rains and flooding in mid-June wiped out farmers' crops as well as cities and towns. The extent of the damage was still not clear at presstime.

However, the **soybean** and **corn** crops have been affected, and indirectly that may also have an impact on **beef** and **pork** prices in the months ahead as well as on prices for **vegetable oils.**

Potato acreage is up in Idaho and the Pacific Northwest. That may bring relief to users of frozen and canned **potatoes.** Grade A frozen fries continue in good supply, but Grade B are very tight. There has been some drop in sliced and diced canned potatoes.

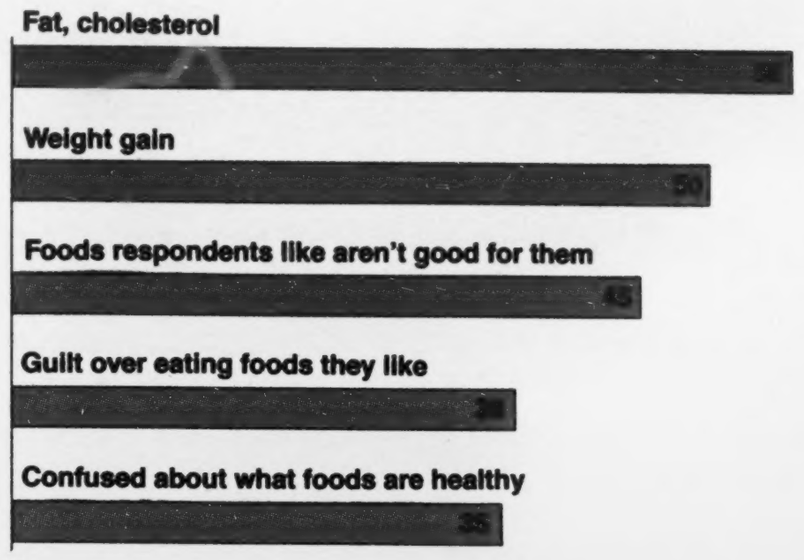
The end-of-May rains hit both the California **sweet cherry** crop and the one in Washington state. It was a disaster for California's growers, with about half the crop still on the trees and almost totally lost.

The loss was less in the Northwest, but the harvest there is estimated to be below normal instead of the larger one expected. Midwestern canned and frozen tart cherry packs will be below normal this year because of a combination of poor pollination and extended cold weather. Expect higher prices.

FACT FILE

Top worries about daily diet

(In percentages*)



*Total exceeds 100 percent due to multiple responses

Source: The Gallup Organization sample survey of 772 adults

FINANCIAL DIGEST

Old Spaghetti Warehouse's profit up 64%

GARLAND, Texas — Four new restaurants were largely responsible for Old Spaghetti Warehouse Inc., the 15-unit operator of moderately priced Italian dinner houses, chalking up a 64-percent gain in profit, to $790,212, on a 40-percent boost in revenues, to $10 million, for the third quarter.

For the nine-month period ended March 31, Old Spaghetti Warehouse's net income increased 52 percent, to $1.9 million, on sales of $26.6 million, a 30-percent increase.

In addition to store expansion, the company attributed its strong numbers to an array of improving operational factors. In a presentation on Wall Street recently, Old Spaghetti Warehouse pointed out the following:

- Same-store sales improvements accounted for 11.5 percent of the total revenue gain in the quarter.
- Check averages and customer counts have been rising with customer traffic up 4.8 percent in the quarter on a year-to-year basis while those stores older than two years had a 6.7-percent increase in customer counts.
- Mild weather in the most recent quarter plus New Year's Eve dinner sales (which fell in the second quarter in 1989) boosted per-store sales averages.

The company noted that it is in the process of raising its menu prices to an annual rate of about 2.4 percent.

If the company's stock is any indication, Wall Street is watching Old Spaghetti Warehouse with eagerness. The company's stock has appreciated 21 percent in the month of June, rising in 10 days from $17 to $20.62.

Ciatti's 3rd-qtr. net climbs 37%

EDINA, Minn. — Improved same-store sales and high traffic counts at new stores led Ciatti's to a 37-percent increase in net income for the third quarter, to $222,754, on a 45-percent gain in revenue, to $4.3 million.

The operator of nine midscale Italian dinner houses, Ciatti's nine-month revenues soared 52 percent, to $12.0 million, for the quarter ended April 1. Net income during the nine months climbed 63 percent, to $597,541.

The company reported that the quarter represented the seventh straight for double-digit earnings growth. Sales from mature units were up 8.3 percent.

Store expansion boosts TCBY's net

LITTLE ROCK, Ark. — Company and franchisee store expansion boosted TCBY's net income 8 percent, to $9.6 million, on a 15- percent gain in revenues, to $49.9 million, for the second quarter ended May 31.

For the six months of the period, net income increased 9 percent, to $12.8 million, on a 19-percent gain in revenues, to $80.5 million.

In a prepared statement, Frank D. Hickingbotham credited chain expansion from both franchisees and the company for the increases in profit and sales.

"We are pleased with these results, especially understanding that during this quarter we experienced adverse and unseasonable weather conditions throughout the United States, which affected our sales," Hickingbotham said.

Systemwide sales during the second quarter increased 19 percent, to $95 million. TCBY, the largest soft-serve frozen yogurt chain, added 130 stores during the second quarter for a systemwide unit size of 1,795 restaurants, of which 144 are company operated.

Left to right: Tom Kaplan, left, and Rich Brenner, co-owners of Highland Grounds, Hollywood, Ca., stand behind the coffee bar. 7-Eleven stores have introduced flavored coffee in the Southern California market. Caffe Latte owner Tom Kaplan displays a bag of specialty coffee beans.

Hot beverages brew up big profits for savvy operators

by Richard Martin

Special agent Dale Cooper, the coffee-slurping sleuth of TV's "Twin Peaks," struck a responsive chord this spring when he repeatedly praised his favorite beverage before a beguiled national audience.

Savvy restaurateurs certainly agreed with the G-man's ardent assessment that there's nothing like a good, strong cup of hot java — at least from the standpoint of coffee as a prodigious profit builder and a prime means of heightening patron satisfaction.

Of course, hotel and tablecloth dining operators who are brewing teatime trades may applaud just as ardently about afternoon tea's high-margin attributes and ability to create a between-meal daypart.

And then there are the managers of Checkers, a hotel-based fine-dining restaurant in Los Angeles, who savor the breakfast and brunch contributions of their signature Belgian hot chocolate with minted whipped cream, a cup of which commands an impressive $3.75 menu price.

Meanwhile, espresso specialists — including the New Bohemian entrepreneurs who have ignited a coffee-house boom in Los Angeles — are pumped up about their ability to extract a typical 95-percent gross margin from each cup of the increasingly popular bitter brew.

In many segments of the restaurant industry specialty black teas and herbal tea blends are building followings, as has freshly brewed decaffeinated coffee.

Clearly, hot beverages, though often taken for granted as obligatory offerings, still hold the potential to enhance the image, the allure and the bottom line of foodservice operations.

Coffee, in particular, is showing signs of vigor, following 25 years of steadily declining consumption. According to industry studies, the percentage of coffee drinkers in the overall population actually perked upward in 1989, a year that marked another advance for lovers of the roasted bean.

The collapse last July of the International Coffee Agreement, a restrictive structure of trade quotas, brought on open-market conditions that slashed green-coffee prices and enabled American importers to obtain far greater quantities of premium Arabica beans, especially from Colombia, Guatemala, Honduras and Mexico.

"There was a pent-up demand for those coffees that was being frustrated by the quota system," George Boecklin, president of the National Coffee Association, a New York-based trade group, says. Now, with less of the inferior Robusta variety being imported, "The quality of the coffee served in restaurants in this country has improved," he adds.

The varieties and taste profiles of coffee are also expanding and evolving in foodservice settings. Southland Corp.'s 7-Eleven chain, whose 6,800 convenience stores sell more than 1 million cups of coffee a day, is experimenting with "gourmet" and flavored coffees in test markets on both coasts.

7-Eleven's "Cafe Select" program, launched in Buffalo, N.Y., and expanded to stores elsewhere in New York and New Jersey, features robust Kenya AA coffee as a 20-cent-extra-per-cup alternative to the chain's regular and decaf brews.

Like all the coffees at almost all 7-Elevens, beans for Cafe Select are freshly ground at the stores each day, an attraction for coffee aficionados and a cost-saving advantage for Southland

*(See **HOT BEVERAGES**, page 32)*

Hot beverages, though often taken for granted as obligatory offerings, still hold the potential to enhance the image, the allure and the bottom line of foodservice operations.

FOCUS

NRN Photo

Cano Vega, the manager of Highland Grounds, a specialty coffee bar in Hollywood, Calif., steams milk for cappucino.

Hot beverages brew profits

(Continued from page 31)

Corp. "Whole-bean coffee is substantially less than in a fractional pack or vacuum pack," Joyce Eskridge-Jeffries, the Dallas company's coffee product manager, says.

The Cafe Select program is slated for expansion soon to the West Coast, where cinnamon-flavored beans, instead of Kenyan, are likely to be ground. Currently, some 150 franchised 7-Elevens in Southern California are already promoting cinnamon and vanilla coffees, regular brews that are flavored with powders added to customers' cups.

Coffee-industry research, showing that sales of flavored and "gourmet" coffees have grown by more than 20 percent since 1984, inspired the Cafe Select test by Southland, whose own coffee sales jumped 5 percent in 1989. "Fifteen years ago we would not have looked at doing [Cafe Select]," Eskridge-Jeffries says. "But we see this as an opportunity to get in [to the field] at a good time."

Credited with boosting sales of Dunkin' Donut-brand products and 7-Eleven's own Breakfast Bite sausage sandwich, coffee traffic at the C-store chain has also opened the door to a new product line: The chain's popular flavored creamers — amaretto, mocha and Irish cream — have grown up from a help-yourself amenity in single-serve packs to pint-sized, take-home offerings in the dairy case.

"I believe we've gained a lot of customer loyalty from the creamers," Eskridge-Jeffries notes.

Premium coffees and flavored blends are also making inroads in upper echelons of the office-coffee-service industry. "Things have changed in the last two or three years, and you do see some of [those coffee varieties] in the executive suite," says G. Dean Wood, president of the Fairfax, Va.-based National Coffee Service Association, whose membership accounts for about 20 percent of the $2.5 billion office coffee catering industry.

The International House of Pancakes restaurants, rewarded by loyal coffee drinkers since it pioneered the "never-empty" pot concept in 1958, may also adopt flavored coffee, although the chain currently has no firm plans to do so. "I can see flavored coffees becoming a potential for us," says Stephen Pettise, marketing vice president of IHOP Corp., whose 486 branches currently brew up some 2 million pounds of coffee a year.

"I think you'll see more of the coffee shops trying to differentiate themselves from each other and from operations like Denny's," predicts Biff Naylor, whose Beverly Hills, Calif., operation, Cafe Beverly Hills, is one of the few in that industry segment to boast an imported espresso machine.

"Coffee is still a very high-margin item no matter how you cut it," explains Vincent Kikugawa, president of the 150-unit Marie Callender's chain, which hasn't dabbled in espresso but does feature an herbal tea selection. "We're constantly looking at coffee because we serve so much of it."

Because of coffee's far-reaching effect on profits, restaurants may base sweeping operational decisions on coffee service. Denny's, the nation's largest coffee-shop chain, jettisoned all its cups and saucers and replaced them with mugs shortly after its acquisition by TW Services in 1987. The move, according to the chain's new management, was aimed at saving labor and energy by cutting down on refills and on the number of service wares requiring washing and handling.

Decisions about coffee are also crucial for an exclusive restaurant like Checkers, in Los Angeles. "Arriving at a choice of which coffee to serve and how to brew it is a really delicate matter for a hotel," says executive chef Jerry Comfort, explaining that Checkers' coffee philosophy reflects both the tastes of its upscale restaurant clientele and the hotel's need for a single kind of coffee to be served day and night in a variety of settings.

Before Checkers debuted last year, Comfort and other managers conducted several exhaustive tastings of premium, whole-bean coffees before settling on the Checkers blend and a 2.75-ounce-per-pot brewing strength. Staleness-prevention controls, in the form of timing devices at brewing stations, were then installed to ensure a maximum 20-minute holding time.

In too many instances "coffee and tea are grossly neglected by restaurants," asserts Tom Kaplan, whose Caffe Latte, a combination restaurant and coffee-roasting shop in Los Angeles, attracts a fiercely loyal following of hot-beverage connoisseurs.

"It costs no more to sell good coffee than bad coffee," Kaplan contends. However, he concedes that Caffe Latte's coffee margins are diminished

*(See **HOT BEVERAGES**, page 37)*

HIGHLAND GROUNDS

Caffe latte	$2.75*
Cappuccino	2.50
Double cappuccino	2.75*
Espresso	1.50
Double espresso	2.50*
Caffe mocha	3.00*
Coffee o' day (one free refill)	1.50
Coffee yo choice — order-brewed La Minita Tarrazu (Costa Rica), San Sebastian (Guatemala), decaf Lintong(Sumatra)	2.00
Hot cocoa	2.50
Pot o' tea (Earl Grey, mango, papaya, Darjeeling 1st flush — Singbulli estate, Yin Hao jasmine)	1.50
Grilled eggplant sandwich with fresh Mozzarella, mild chilies	5.75
Yucatan sausage (chicken, duck, cilantro, Serrano chilies) sandwich with peppers and onions	5.75
Tossed salad on pizza crust	5.25
Brioche with cheese and mushrooms	2.50

* available iced

> "I think you'll see more of the coffee shops trying to differentiate themselves from each other and from operations like Denny's."

Tea, coffee remain flat as soft drinks bubble upward
(gallons consumed per capita)

	Tea	Coffee	Soft drinks
1982	6.9	25.9	26.9
1983	7.0	26.3	27.4
1984	7.1	26.7	28.4
1985	7.1	27.3	30.4
1986	7.1	27.4	31.9
1987	6.9	26.3	30.5
1988	6.9	24.3	31.7

Source: U.S. Dept. of Agriculture, per National Restaurant Assn.

Tea leaves coffee grounded as patrons make the switch

LOS ANGELES — Steeped in an aura of civilized refinement, premium teas are earning new fans among caffeine-conscious converts from coffee and as an alternative to alcohol.

"The caffeine factor is a big thing," explains Julianne Gorski, whose English-style cafe here, Paddington's Tea Room, serves specialty teas, coffees and espresso-based drinks. In terms of recent sales trends and changing customer preferences, "the increasing one is definitely tea," she says, citing health concerns as the driving factor in the shift.

Gorski calls proper, English-style tea service a "marvelous alternative to cocktail hour" that provides equivalent opportunities for social intercourse. In fact, members of Alcoholics Anonymous frequently patronize her quaint cafe for its signature "high tea" spread of fine-grade tea, pâté, crudités, finger sandwiches, scones and sweets.

Bernard Erpicum, the maître d' at Spago, estimates that 30 percent to 40 percent of the West Hollywood restaurant's regular coffee drinkers are also shifting to herbal teas. "People are getting so much more health conscious," he observes.

Still, many of Spago's coffee customers are sticking with their brew of choice, in a modified version. Caffeine-shy guests in growing numbers are switching to Spago's whole-bean, freshly ground decaffeinated espresso and decaffeinated cappuccino "because the coffee companies are coming up with better decaf coffees," Erpicum explains.

Tea makers, too, are offering quality grades that are winning favor with the new breed of tea connoisseur. "Restaurants ought to pay more attention to the quality of tea they buy," Erpicum says.

Tom Kaplan agrees. At his Caffe Latte restaurant and Highland Grounds coffee house, Kaplan is nurturing a growing clientele by offering select herbal and black-tea varieties. He also provides a lesson in the economics of bulk tea, showing that the most expensive tea varieties can yield healthy profits.

Although Kaplan pays $26 a pound for his hand-picked jasmine tea, the highest of 19 quality grades of jasmine, he needs only about three grams of it — 17 cents' worth — to brew a 12-ounce pot that sells for $1.50. "What we're talking about is that one of the finest teas in the world costs less, cup for cup, than [a leading tea-bag brand]."

R.M.

FOCUS

Hot beverages brew up profits

(Continued from page 32)
slightly by his personal penchant for freshness, which dictates that coffee must be discarded every 12 to 15 minutes or whenever it loses its telltale redish tinge of freshness. The cost-raising result: "Maybe there's a nickel-a-cup difference, which means I get only 90 cents profit instead of 95 cents on every dollar's worth of coffee we serve."

As a specialist in exotic teas and house-roasted coffees, Kaplan has now diversified into a new concept that features both commodities. In January he and partner Rich Brenner launched Highland Grounds, the largest of the swarm of espresso bars and funky coffee houses that have opened in the Hollywood area in the past year.

"To open a coffee house is so much cheaper than opening up a bar or a full-scale restaurant," Brenner says. What's more, since each $2.50 cappuccino contains only about 10 cents' worth of coffee and milk, "it's almost like having alcohol."

Espresso "is better than booze," adds Ajay Sahgal, co-owner of Java, one of the first of Los Angeles' new wave of coffee houses, whose ranks include the Living Room, the Pikme-up, Onyx Sequel, Lizards, Le Cup and Perks.

A new phenomenon for Los Angeles, the coffee-house boom was fueled by youthful patrons who seemed ready to foster a Hollywood espresso culture to rival that of San Francisco's North Beach.

Still, low start-up costs seem to be the true impetus for the boom. The 102-seat Highland Grounds, for instance, occupies a converted, 1,700-square-foot bar building and 1,000-square-foot palm-shaded patio. Leased for $2,000 a month, the place was furnished and equipped for a total of $40,000, including $8,000 for an espresso machine. Currently, sales are hitting the $1,000-a-day mark, Kaplan says.

Sprouting at a time of restaurant-market saturation and rising opening and operating costs, the new coffee houses might be viewed as a modern-day successor to Denny's. "In a sense maybe we are," Brenner says.

Elsewhere in Los Angeles, the four-unit Cheesecake Factory restaurant chain has developed its own impressive coffee culture. A natural complement to the chain's 37 varieties of cheesecake, coffee contributes significantly to the restaurants' annual $8 million-per-unit sales averages.

Douglas Zeif, Cheesecake Factory's operations manager, estimates that the four restaurants annually sell as much as 850,000 $1.50 cups of their special five-bean coffee blend, with each restaurant using an average 230 pounds a week.

What's more, Cheesecake Factory may be the espresso champion of Los Angeles, cranking out as many as 12,000 espresso-based beverages per restaurant each month. Production on that scale is aided by fully automated espresso machines, costing $16,000 each, that grind, load, pressure-brew and eject the beans for each cup at the touch of a button.

With a straight espresso typically costing as little as seven cents to make, Cheesecake Factory's No. 1 and No. 2 selling espresso drinks are aggressively priced at $2.95 for a cappuccino and $2.25 for a double espresso.

"At night we sell a ton" of espresso beverages, Zeif says, naming drunk-driving concerns as the most probable reason for an upsurge in sales.

Coffee consumption in U.S. since 1962 peak: 25-year decline grinds down, perks up

	1962	1985	1986	1987	1988	1989
Cups per capita per day	3.12	1.83	1.74	1.76	1.67	1.75
Cups per drinker per day	4.17	3.33	3.32	3.38	3.34	3.34
Drinkers as % of population*	74.7	54.9	52.4	52.0	50.0	52.5

*over age 10

Source: International Coffee Organization, per National Coffee Assn.

> "To open a coffee house is so much cheaper than opening up a bar or a full-scale restaurant."

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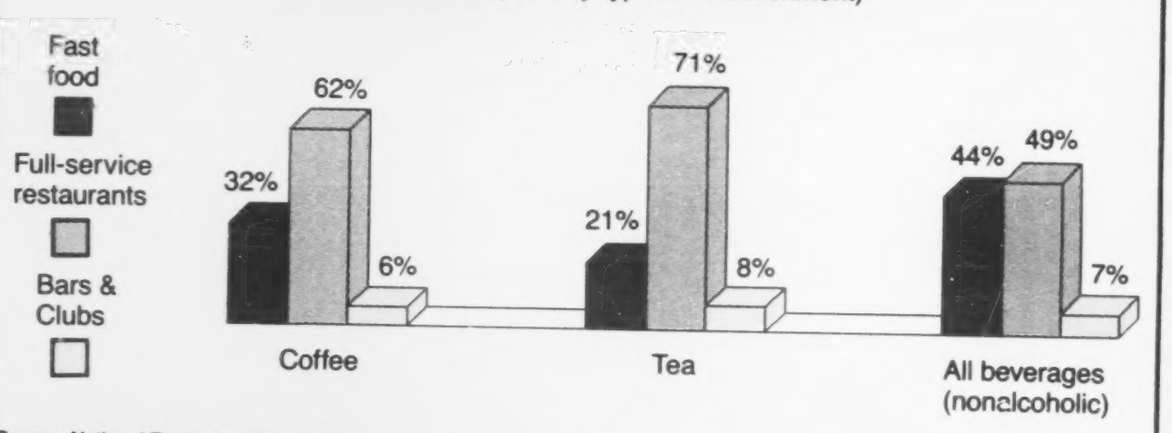
Above: The Pikmē-Up in Los Angeles is only one of the many espresso bars popping up in the area. Right: Tom Kaplan, owner of Caffe Latte, Los Angeles, does a sniff test on the coffee beans, which he roasts himself.

Older coffee-drinking Americans maintain greatest loyalty
(Percentage drinking)

	1962	1985	1986	1987	1988	1989	Change ('62-'89)
age 20-29	81.0	40.5	38.4	33.1	31.9	35.0	−46.0%
age 30-59	90.8	70.6	67.1	67.2	63.5	66.0	−24.8%
age 60 plus	88.4	78.7	77.8	77.8	76.9	78.9	− 9.5%

Source: International Coffee Organization, per National Coffee Assn.

Who's pouring the most coffee, tea?
(Share of consumption by type of establishment)



Source: National Restaurant Association

The art of brewing espresso

LOS ANGELES — Ask Mauro Vincenti how to make good espresso, and he may regale you with arcane information about sugar flotation, relative humidity and "mice tails."

Vincenti, the espresso-loving Los Angeles restaurateur and erstwhile Roman cinematographer, regards the pressure-extracted Italian coffee as a "way of life." He also views the proper brewing of espresso as a practical art form worthy of quasi-scientific analysis.

At his upscale restaurants — Rex il Ristorante, Pazzia and Fennel — Vincenti stresses the fine points of espresso making. He also seizes opportunities to expound on espresso's growing popularity in cafes and bars, bemoaning the apparent lack of essential espresso knowledge demonstrated by some brewers entrusted with the special task.

Vincenti believes that espressso, correctly brewed, can yield more than just high margins and European cachet. It can, he says, also result in the loyal patronage of aficionados of the inky brew and its popular derivatives, such as cappuccino and caffe latte.

Rule one, according to Vincenti, is that less is more when it comes to making espresso.

"When you fill the cup, you are doing a disservice to your customer," he says, stressing that straight espresso is meant to be drunk as a short shot of coffee essence. "If you keep the button pushed or pull the lever more [on a piston-type machine], the only thing you add is water and caffeine."

When properly — that is to say, quickly — extracted, espresso actually contains less caffeine than does conventional coffee, Vincenti asserts. "I drink 17, maybe 18 cups of espresso a day, and if I'm ever nervous or can't sleep, it's for other reasons."

Vincenti insists that a single espresso, when made on the typical imported machine, should fill a demitasse cup to a level no more than an inch deep.

"A good espresso has to stay on your tongue, on your palate, for 20 minutes; that is the sign of a good espresso." To achieve the proper strength and density necessary for that lingering flavor, espresso makers must pay attention to more than just the pedigrees of their beans, grinders and brewing machines, Vincenti explains.

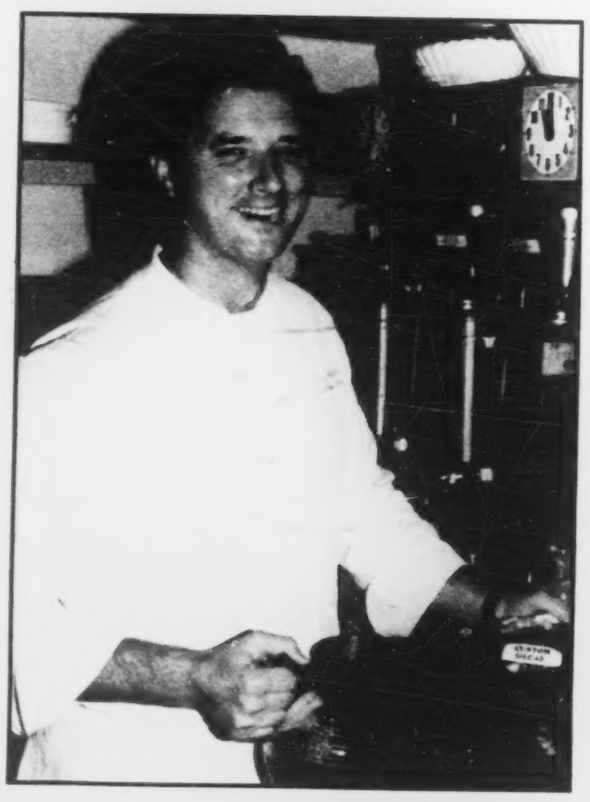
"The sugar has to float, you see?" he remarks, pointing to a spoonful of sugar granules that is buoyed momentarily by the surface tension of a newly brewed espresso's light-brown *crema* coating.

According to Vincenti, the frothy *crema* at the top of the cup indicates that the beans were ground to the proper fineness — coarse enough to release some bean residue but fine enough to restrain the heated water from passing too hurriedly through the grounds. The optimal brewing time for a single espresso is about 25 seconds, he says.

Weather conditions may help to determine the precise grinder setting for proper brewing. Vincenti believes that espresso brewers should learn to assess the prevailing relative humidity each day before adjusting the grinder; that's because grounds of a particular fineness may be too porous when humidity declines and too dense in more humid weather.

After the precise grind is achieved, the machine's coffee holder must be loaded properly and tamped down evenly, Vincenti emphasizes. The harmony of all conditions — grinding, loading and tamping — is revealed during brewing by the appearance of the coffee as it drips from the espresso machine into the cup. The Italians call the ideal fine-streamed trickle the "*coda di topo*" or "tail of the mouse."

Some espresso traditions that are generally presumed to be authentic are, in fact, foreign to the brew's homeland, Vincenti says. "Serving a twist of lemon peel with espresso is definitely not Italian," he flatly declares.



Jerry Comfort, executive chef at Checkers Hotel, Los Angeles, prepares a pot of fresh-roasted coffee. The clocks on front of the brewers are freshness controls indicating how old a pot of coffee is and when it's time to brew a new one.

> "A good espresso has to stay on your tongue, on your palate, for 20 minutes — that is the sign of a good espresso."

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Vol. 24, No. 28 | Published every Monday by Lebhar-Friedman Inc. $3 per issue | July 16, 1990

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Gabrielle and Dennis Kaniger inside their restaurant, Venue.

West Coast couple brings LA style to Venue in KC

by Carolyn Walkup

KANSAS CITY, Mo. — During the frontier days, Kansas City was the jumping-off point for the pioneers' westward journey on the California Trail. Now, a pair of explorers from Los Angeles has reversed that journey to find a Heartland home for their own restaurant, Venue.

"There is more room here for a restaurant," said Gabrielle Kaniger, formerly general manager at Los Angeles' well-known City Restaurant, who knew Kansas City from her high school days. Her husband and Venue chef, Dennis Kaniger, was head chef at City for about three years.

Designer Josh Schweitzer, Mrs. Kaniger's brother, did some of Venue's design work. He is better known for designing Campanile, Border Grill and other high-profile restaurants in Los Angeles.

Since Venue opened a year ago on a busy stretch of Main Street near the celebrated Country Club Plaza, it has developed a loyal clientele and a reputation for serving top-quality contemporary cuisine. With just 50 seats in addition to a small lounge with checkerboard tables, it has a personal touch, "like people are coming into our home," Mrs. Kaniger said.

"We want to get to know the customers," she continued, in contrast to what she described as Kansas City's many "corporate" restaurants owned by large companies. "It takes longer to develop a clientele

(See VENUE, page 4)

New scatter bars boost buffet sales

Operators boast separate food "islands" ease long customer lines, hike traffic

by Bill Carlino

In an effort to trim the traditional cattle call of people who patiently wait their turn on the buffet line, operations offering food bars are alleviating customer logjams by converting their traditional straight-line service format to a "scatter bar" concept.

Bonanza, Sizzler, Old Country Buffets, Chuck-A-Rama Buffet Restaurants and several major contract feeders have separated their respective buffet stations into food "islands," thereby allowing the operation to service as many as 20 percent more customers during peak periods.

As an added bonus, operators who have implemented the scatter format in lieu of the traditional straight-line buffet, maintain the system not only scales back customer waiting times but also has ignited individual store sales.

Duane Moss, vice president of the Salt Lake City-based Chuck-A-Rama Buffet Restaurants, a six-unit operation, said that the combination of converting to the scatter buffet format and a new interior remodel at all the units nearly doubled annual sales to about $1 million for each store.

Old Country Buffets, an operation headquartered in Eden Prairie, Minn., is currently using the scatter system in four of its units. The Old Country Buffet stores featuring the new format now have the capacity to service over 300 people an hour as opposed to the previous limit of 250.

At a Sizzler unit in New York, the restaurant's general manager attributes the chain's new "Buffet Court & Grill" to hiking a specific week's revenues about $11,000 over the

(See SCATTER, page 4)

Texas operators cook up 'gastro'-Economic Summit

by Paul Frumkin

Fearing

Del Grande

McGrath

HOUSTON — Three top Texas chefs and a local barbecue chain entered the arena of international diplomacy last week when they were asked by the White House to introduce world leaders attending the Economic Summit of Industrialized Nations to the culinary fare of the Lone Star state.

Determined to showcase the best that Texas has to offer, award-winning chefs Dean Fearing, Robert Del Grande and Robert McGrath teamed up to prepare two key dinners for the seven heads of state and other participants at the two-day summit held at Rice University here.

But prior to that, Luther's Bar-B-Q hosted a cozy Texas-style Economic Summit welcoming party at the Astrohall for President Bush and 5,000 guests.

(See TEXAS, page 4)

Domino's plans sit-down units

by Milford Prewitt

ANN ARBOR, Mich. — Domino's Pizza Inc., whose name is synonymous with home delivery after pioneering it and then perfecting it for two decades, plans to open units with on-premise dining.

In a dramatic shift in marketing and operational strategy rarely seen by industry

(See DOMINO'S, page 65)

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 28 July 16, 1990

NEWS BRIEFS

Circle K files for bankruptcy

PHOENIX, Ariz. — After failing to win its creditors' and lenders' approval on a debt restructuring plan, Circle K Corp., the nation's second-largest convenience store operator, with about 4,500 outlets, has filed for Chapter 11 bankruptcy protection.

The company had been negotiating with its creditors and lenders over the past two months to create a "standstill" agreement that would have granted a seven-month freeze on making debt payments.

Since early May, Circle K has been straining under a $1.2 billion debt load and has repeatedly warned its debtors that their refusal to work with the company would prompt it to file for bankruptcy.

Florida operators taxing drinks under new law

TALLAHASSEE, Fla. — Restaurant and tavern operators statewide are grappling with a new tax law that requires them to charge customers an extra fee for every alcoholic beverage they buy.

The establishments are mandated to collect a surcharge of 10 cents for cocktails, 4 cents for every 12 ounces of beer and a dime for every 4 ounces of wine. To meet the Department of Business Regulation's bookkeeping requirements, the places can either tally how many servings of each alcoholic beverage they sell or report how much of each item was purchased from distributors.

The levy was among 11 new taxes recently adopted by Florida in an attempt to generate additional revenues. Several other states, including California and New York, are also eyeing increases in the taxes on drinks.

Prime Motor sells Rodeway Inns

FAIRFIELD, N.J. — Prime Motor Inns has sold the Rodeway Inns International franchise system to Manor Care Inc., parent of Quality Inns International, for $14.9 million.

Prime Motor Inns, which recently completed the sale of Ramada and Howard Johnson franchise rights to Blackstone Capital Partners for $170 million, said it would use proceeds from the Rodeway sale to pay down bank debt.

Quality Inns will manage the Rodeway system.

TCBY franchisee files for Ch. 11

ORLANDO, Fla. — One of the largest franchisees of Little Rock, Ark.-based TCBY has filed for Chapter 11 bankruptcy protection.

Mid-Florida Yogurt Corp., a 46-unit franchisee based here, filed documents with the Federal Bankruptcy Court for the middle district of Florida, Tampa Division.

Jeff Carpenter, president of Mid-Florida Yogurt, said the filing was done for strategic rather than financial reasons, citing an ongoing lawsuit initiated by a former partner.

The bankruptcy filing, coupled with three consecutive quarters of decreased same-store sales at the frozen yogurt chain, prompted an analyst from Shearson Lehman Hutton to downgrade the TCBY stock twice in one week.

Nutrition advocate attacks McD again

OAK BROOK, Ill. — Three months after accusing McDonald's in print of "poisoning America," Nebraska consumer advocate Philip Sokolof has resumed his advertising assault on the chain's nutritional standards.

"McDonald's, Your Hamburgers Still Have Too Much Fat!," trumpeted the headline of full-page advertisements placed by Sokolof in The New York Times, USA Today and other newspapers. The copy also blasted McDonald's, along with Burger King and Wendy's, for cooking french fries in beef tallow.

The ad did not note McDonald's is testing a vegetable-oil frying medium in 500 units.

In April, Sokolof lambasted McDonald's in advertisements that ran in a far greater number of newspapers. Afterward McDonald's sent a letter to the dailies that ran the ad, warning them that the fast-food giant might take legal actions if similar notices were published.

Following Sokolof's initial publicity blitz, McDonald's announced the addition of several healthful menu items, including apple bran muffins and frozen yogurt.

Host to bring Cheers to airports

WASHINGTON — Host International, the airport feeding division of Marriott Corp., has sealed a licensing agreement with Paramount Pictures to develop Cheers bars and lounges in domestic airport accounts.

Marriott will build 46 Cheers units in the next five years, modeling them after the Boston pub that serves as a setting for the popular television series. The first unit will open at the Minneapolis/St. Paul airport in late November.

The agreement also provides the rights to retail official "Cheers" merchandise at Host's airport locations and develop "Cheers" lounges at domestic Marriott hotels. Other terms of the contract were not disclosed.

Integra prexy quits; Steadman named successor

DALLAS — Integra — A Hotel & Restaurant Co., a hotel operator based here — has named David R. A. Steadman to replace Thomas J. Corcoran Jr., who resigned as president and chief executive.

Corcoran quit one day after the collapse of a deal that would have pumped $10 million in new capital into the company and would have allowed Hallwood Group Inc. to sell its 13-percent stake in Integra.

Steadman, president of Atlantic Management Associates Inc., has been an Integra director for about a year.

Burger King opens mobile unit in East Germany

DRESDEN, East Germany — Burger King has seized a lead position in the race by U.S. restaurant chains to stake a claim in the virtually untapped market of East Germany.

Days after East Germany switched from a state-controlled to an free-market economy, the Miami-based franchisor opened a mobile Burger King Express unit here in the heart of the formerly Communist nation. The outlet offers Whoppers, hamburgers, cheeseburgers, french fries and soft drinks.

A number of U.S. foodservice chains, including Burger King and McDonald's, have a strong presence in West Germany. But East Germany was impenetrable before the nation's economic reunification.

Puritan Partners obtains Catch A Rising Star

NEW YORK — Catch A Rising Star, operator of the six-unit nightclub chain of the same name, has agreed to transfer those holdings to Puritan Partners in exchange for the forgiveness of $1 million in debt and the assumption of other financial obligations.

The deal would also empower New York-based Puritan to develop additional places. However, Puritan would be obligated to pay Catch a Rising Star a royalty of 1 percent to 3 percent.

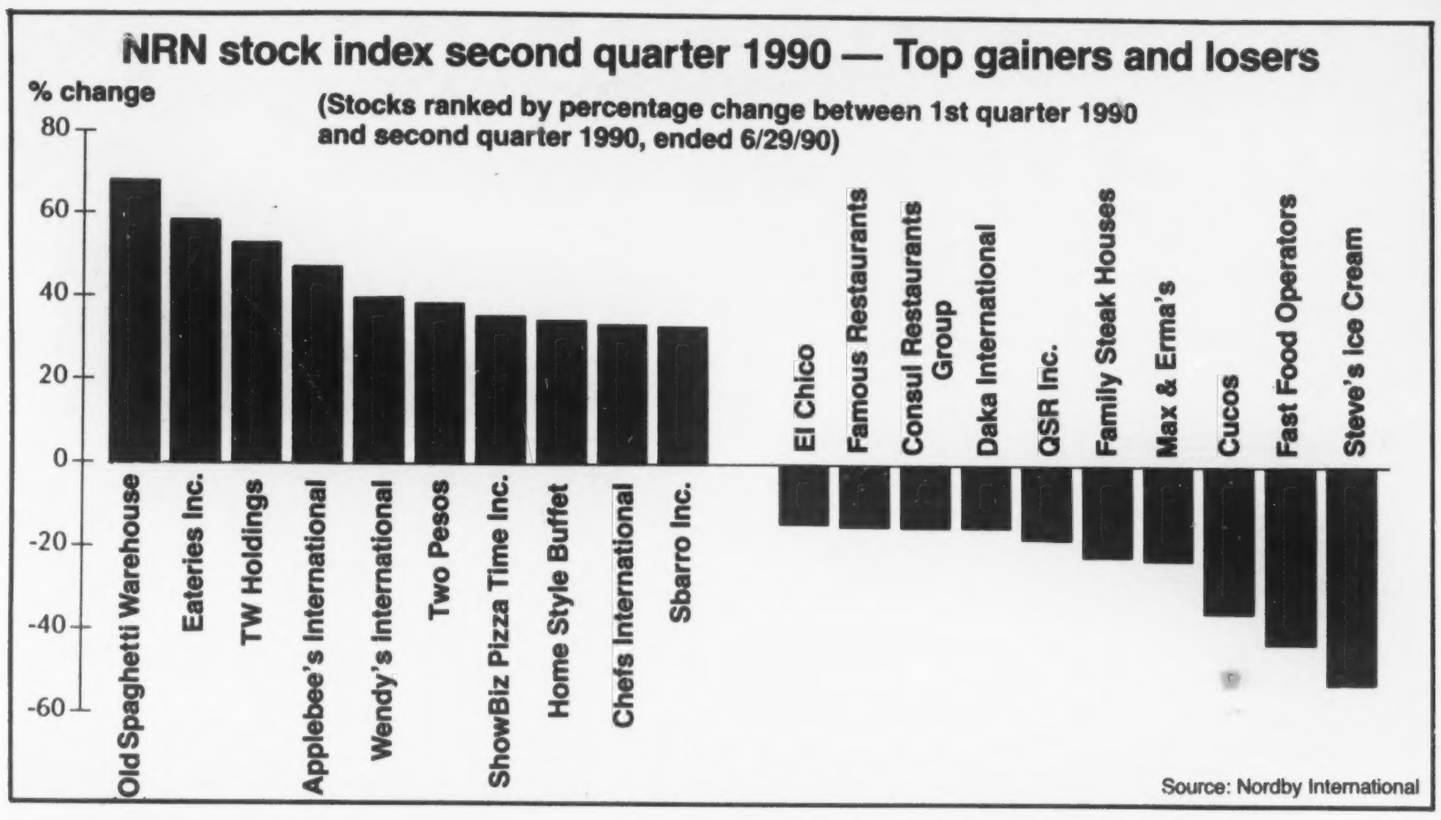
In addition to forgoing the $1 million owed by Catch a Rising Star, Puritan would also be required to assume $250,000 of the company's liabilities and lend the company $300,000 for the payment of taxes.

New Colorado law prohibits random breath testing

DENVER — After intense lobbying by restaurateurs, Gov. Roy Romer has enacted a law requiring police officers to obtain a court order before they administer alcoholic-detection breath tests in a restaurant or a tavern.

The Colorado Restaurant Association helped draft the bill after policemen began cracking down on drunken driving by presenting the tests at will to restaurant and bar patrons.

FINANCIAL NEWS



Source: Nordby International

Restaurant stocks recover from 1st quarter loss

by Milford Prewitt

NEW YORK — Restaurant stocks gained only marginally in the second quarter, but that was still better than most major indexes.

The Nation's Restaurant News Stock Index — a market weighted measurement of 64 restaurant stocks and the broadest monitor of the segment's stock performance — gained 24 points, for an 11 percent increase, to close June 29 at 236.03. The second quarter's gain matched exactly what the index lost in the first quarter, 11 percent.

On an annual basis, the NRN stock index was 19 percent higher than the second quarter closing a year ago. The year-to-year gain surpassed composites of the four most watched Wall Street stock indexes.

During the second quarter, the Dow Jones Industrial Average rose 9 percent, the New York Stock Exchange's Composite rose 10 percent, Standard & Poor's 500 Index rose 12 percent, and NASDAQ, the over-the-counter index, rose 6 percent.

Of the 64 restaurant stocks in the NRN Stock Index by the end of the second quarter, 41 increased in value, two were unchanged, and 21 dropped.

Among the biggest losers was Max & Erma's which lost 22 percent of its share value to close at the end of the quarter at $6, making it the quarter's fourth biggest percentage loser.

Max and Erma's had been battered during the second quarter by analysts projecting severe earnings erosion. The company operates a small chain of casual dining restaurants in the Midwest from its Columbus, Ohio headquarters.

The stock had been 1989's biggest gainer, with a 162 percent advance, to $8.38.

Steve's Ice Cream was the quarter's leading loser, down 52 percent, to $1.25.

Daka International was the sixth biggest decliner, just three months after it headed the list at the end of the first quarter as the segment's biggest gainer in share price. During the second quarter, however, Daka's share price dropped 52 percent to close at 9 cents.

The biggest gainer was Old Spaghetti Warehouse, up 62 percent, to $19.88. Old Spaghetti Warehouse shares have surged on heavy trading even though the company has not announced any major changes in operations or management. But the company did settle a trade dress infringement suit.

Wendy's International, the beleaguered hamburger chain that has suddenly been basking in profit, took fifth on the list of biggest gainers, ending the quarter with a 40 percent increase in share value to $6.63. Wendy's ended 1989 off 20 percent, to $4.63.

Eateries Inc., TW Holdings, and Applebee's International filled out the top five.

FOOD PRICE OUTLOOK

Prices on major commodities are up

by Patt Patterson

Beef and **pork** are still running ahead of last year's prices. For beef, a combination of strong demand and smaller supply has kept prices at about 10 percent to 20 percent ahead of last year's first half figures. Adding to the problem has been lower carcass weights due to animals pulled off feed earlier. No immediate change is seen in any of those major factors.

For pork, forecasts of lowered prices made at the end of last year were frustrated by farmer's actual farrowing. Herds were not increased, and supplies have been tight. A recent U.S. Department of Agriculture survey shows farmers intend to increase their herds this fall, which should mean a larger supply of marketable hogs early next year. But such intentions can change quickly, as they did from last winter's survey. Watch the market on a month-to-month basis.

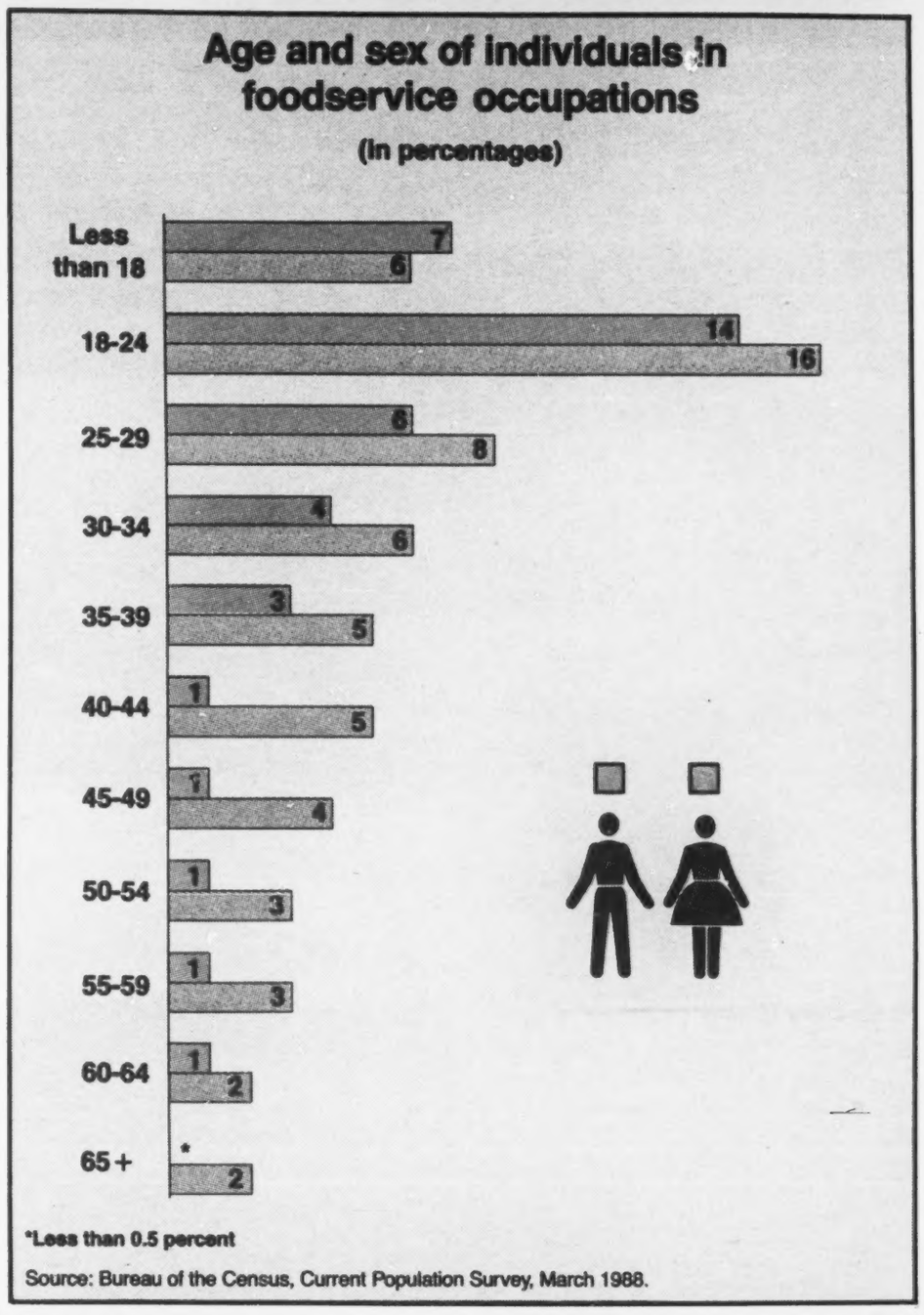
Corn prices are up from last year, due to tighter supplies, heavy export demand, and reduced estimates on the size of this year's crop. Other **feed grains**, especially sorghum, are also expected to have smaller harvests this year.

The USDA had anticipated farmers rained out of corn would put in **soybeans**. Unfortunately, continued rains in the Midwest rained out a lot of the soybean plantings as well. While soybean prices are still below last year, harvest forecasts are down. If both corn and soybeans are tight, meat and poultry prices will rise, too.

Some good news: The **wheat** crop this year is expected to be almost one-third larger than last year. This should have a moderating effect upon flour and feed prices.

Vegetable oils (soy, cottonseed, corn) are moving up in price as **tropic oils** (palm, coconut) and **animal fats** are coming down. The switch from the highly saturated fats to the vegetable oils by shortening makers and food manufacturers has caused the shift.

FACT FILE



*Less than 0.5 percent

Source: Bureau of the Census, Current Population Survey, March 1988.

FINANCIAL DIGEST

Volunteer Capital overcomes year-ago loss

NASHVILLE, Tenn. — Volunteer Capital Corp. said the divestiture of its Mrs. Winner's Chicken and Biscuits division last year was the reason the company's sales dropped 64 percent to $8.5 million for the first quarter ended April 1.

Despite the plummet in revenues, Volunteer overcame a year-ago loss of $2.3 million to post a profit during the quarter of $349,000.

Volunteer, which operates 50 Wendy's hamburger units, said per store sales were up 10 percent with operating profit from the Wendy's operations more than doubled to $540,000.

The company said the per-store sales gains were a result of the customer reception to the new SuperBars buffet lines installed last year and its own remodeling efforts in the guest serving areas.

ShowBiz stock finally cools

NEW YORK — After riding an uninterrupted upsurge in share price since going public a year and a half ago, ShowBiz Pizza Time Inc.'s stock has finally cooled, closing recently at $21.50.

Since going public in January of 1989 with an initial share price of $5.25, shares of ShowBiz, operator of the ShowBiz Pizza Time and Chuck E. Cheese pizza chains, have steadily risen, closing for a 52-week high of $29.

But recently, the share price began falling after chairman and chief executive officer Dick Frank disclosed that after a strong first quarter sales and profit performance, the company is expecting flat same-store sales in the second quarter.

Setbacks bring $2.7M loss to Two Pesos

HOUSTON — Two Pesos reported an annual loss of $2.7 million, largely related to closing poorly performing restaurants.

For the year ended March 3, Two Pesos' losses narrowed from $4.4 million a year ago when revenues hit $40.5 million. For the current year, annual revenues slumped slightly to $40.2 million.

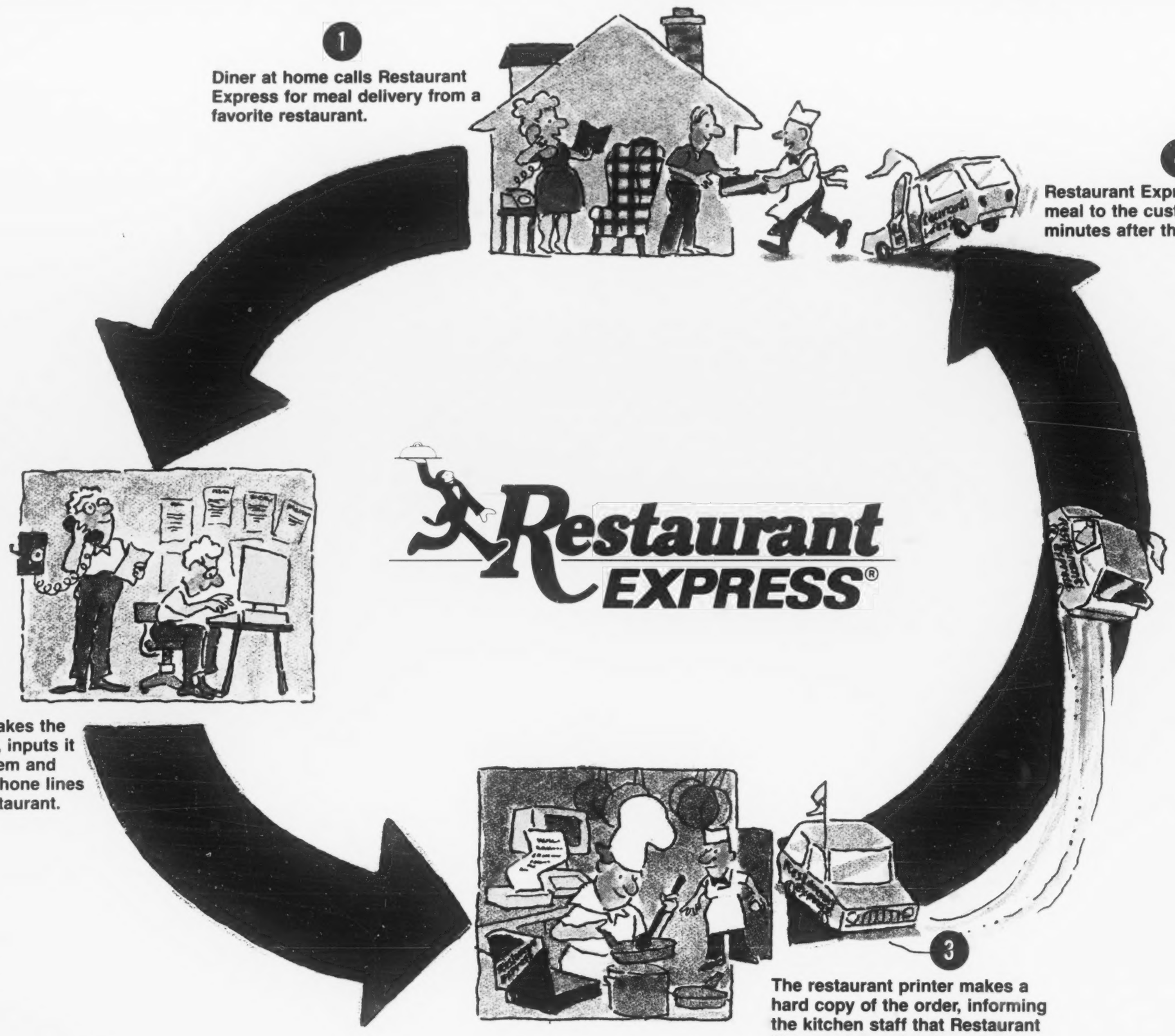
During the quarter, revenues rose 9 percent to $9 million while net losses nearly tripled to $1.4 million.

The company reported an extraordinary credit of $1.25 million resulting from the receipt of insurance proceeds from an insurance carrier who covered the company's court loss.

Last year, Two Pesos lost a copyright infringement suit filed by Taco Cabana and incurred a $3.4 million extraordinary charge. When an insurance carrier refused to cover the judgment, Two Pesos sued the insurer and won.

The company operates 24 of 28 quick-service Mexican restaurants.

FOCUS



If you can't go to the restaurant, let the restaurant come to you

Third-party delivery services boost restaurant sales during industry slump

by Milford Prewitt

An enterprising network of entrepreneurs is helping some restaurants buck the industry's sales slump by foraging a lucrative trade in home delivered meals, a sales avenue some studies say has been getting less traffic for the past three years.

In all regions of the country, in virtually every major city, third-party meal delivery services have sprung up and secured partnerships with full-service restaurants for the express purpose of delivering meals to the restaurants' customers' homes.

With catchy names like Waiters On Wheels (San Francisco), Chef Express (Kansas City, Mo.), Speedy Gourmet (Newport, R.I.), Dial-A-Dinner (New York), Waiters On The Way (Gaithersburgh, Md.), Carryout Taxi (Philadelphia), Takeout Express (Boston), Restaurant Express (Laguna Beach, Calif.), Room Service (Chicago), Wheel Deliver (Pittsburgh), Takeout Taxi (Reston, Va.) and Dining In Inc. (Boston), operators behind these meal delivery systems say they are helping restaurants enjoy as much as 10 percent annual sales increase without the restaurant having to incur any additional equipment costs or staffing requirements.

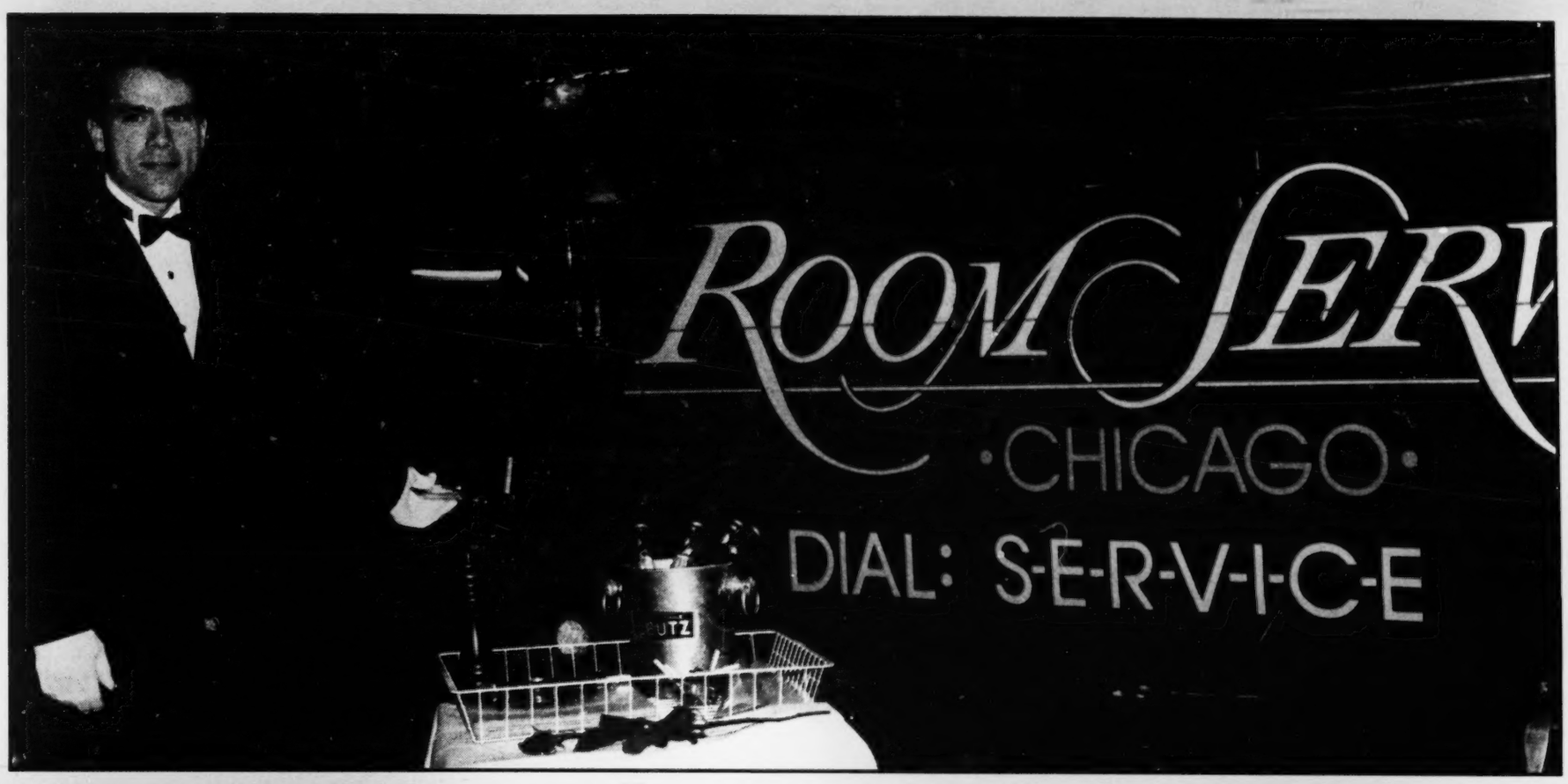
Even Federal Express, the overnight deliverer, is getting into the act. Just recently Federal Express announced the introduction of an Overnight Food Program in which specialty food makers and restaurants can be included in a directory of food distributors and restaurants whose products can be delivered anywhere overnight. The directory will be sent to 20,000 qualified prospective buyers and restaurants will pay an annual $250 fee to be listed.

"I think we've proven that we can deliver more than just Chinese and pizza to people's homes," says David Blum, a principal partner of the Blum Companies, which at 13 years old is perhaps the oldest restaurant meal delivery system in the country.

With operations in five different cities (some operating under different names) and an annual sales volume in excess of $10 million, Blum says that he believes his company is the largest and most successful menu delivery company in the country.

*(See **HOME DELIVERY**, page 36)*

FOCUS



Right: A waiter at Room Service, a home-delivery operation in Chicago, displays his wares.

Above: The Takeout Taxi delivers meals for the Tortilla Factory in Herndon, Va. Right: Tom Baron, left, and Michael Hanley, partners in Wheel Deliver in Pittsburgh, display the logo for their home delivery service.

Home delivery

(Continued from page 33)

While others dispute that claim, Blum says that his company delivers meals whose entrée prices range from $20 to as high as $2,000. He says that some of the most renowned restaurants in Manhattan — including La Côte Basque and Petrossian — are among the 40 eating places Dial-A-Dinner serves in New York.

This subset of the restaurant industry is growing so fast that one of the operators, Restaurant Express, is about to launch an industry newsletter appropriately called, The Meal Delivery Digest.

Yet, by many respects, meal delivery systems provide a service at variance with the reasons people go out in the first place, namely the social experience and good food.

But operators of meal delivery systems say they complement the restaurant and view themselves as the restaurant's partners.

"Like anything that is new, there was some resistance to it," says Pete Hetherington, vice president of Restaurant Express in Laguna Beach, Calif., which, at 4 years old, is among the oldest in the segment and has 32 clients. "But operators came to see that some of their customers are cash rich but time poor and just can't get out like they used to."

"Restaurants have seen Domino's prosper and survive strictly off of delivery," says Dwight Tom, co-partner of Dining In Inc., a 2-year-old meal delivery company in Boston with 52 restaurant clients. "Now some of them are expanding their sales base by providing a new service for the diners and it has been a hit."

"People who are going to eat at home are going to eat at home," says Tom Baron, co-partner of the one-year-old Wheel Deliver, Pittsburgh. "But here we're giving restaurants a chance to reach these people and some of our clients are finding that it is like having an eighth day of sales or adding 100 new seats or something."

Baron says his company delivers about 140 meals on a typical winter night and about 90 meals on a typical summer night at a per person check average of $26.

The meal delivery industry has a few standardized operating practices:

- Some companies operate their own delivery fleets while others require drivers to use their own vehicles.
- Many companies prefer drivers who are former waiters and waitresses while others in the business have no such requirements.
- A few menu delivery companies are highly computerized for both marketing purposes and communicating with the restaurants, while a larger segment handles everything over the phone.
- Many menu delivery operators want drivers to work in tuxedos and to provide the kind of room service attention at home one associates with hotels, but most other companies are not that elaborate.
- There are some menu delivery companies that have helped their restaurant clients find distinctive packaging to accent the meal while some other operators do not get too involved in the packaging problem.

*(See **DELIVERY**, page 38)*

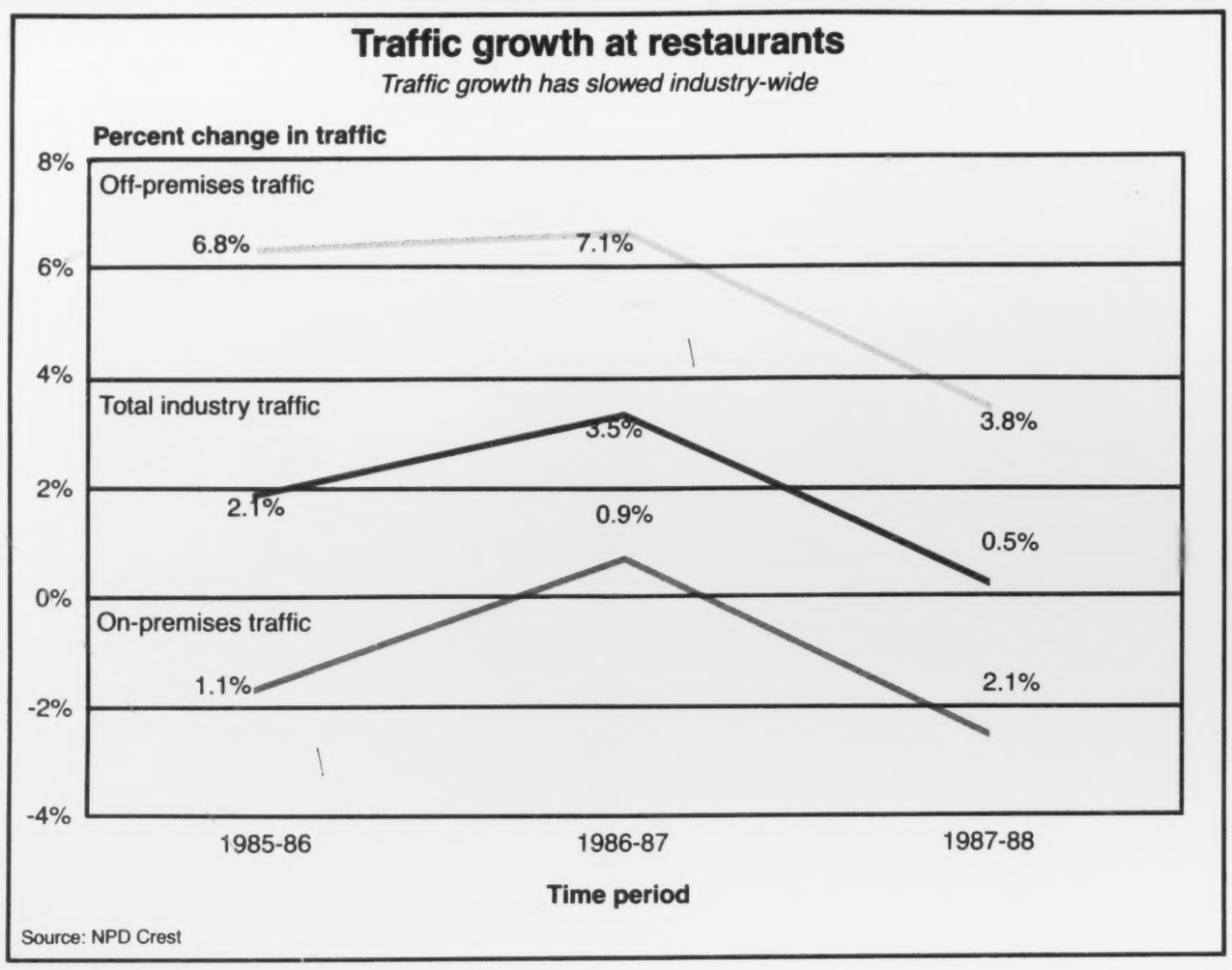
Characteristics of diners who prefer to eat restaurant meals at home

(from a consumer attitudes survey)

- Those under 30, single adults, and households with children use carryout more frequently and 60 percent had a take-home meal within the past 30 days.
- One in five consumers order delivery once every 30 days.
- Delivery is popular with people between 30 and 39 years old and with annual households between $20,000 and $45,000.
- Friday is the most popular day for home delivery, usually after 6 p.m., and with pizza the most requested item.
- The average party for delivered food included 3 people and the median check was about $12.
- The decision to use home delivery was spontaneous, with two out of three persons in the survey confessing that they made the decision to order delivery in less than an hour in advance.
- Speed of service and food quality were the two most important reasons home diners ordered from a particular restaurant.

Source: National Restaurant Association

> "Operators came to see that some of their customers are cash-rich but time-poor and just can't get out like they used to."



Home delivery

(Continued from page 36)

The one common operating thread that binds them is the manner in which they earn income. In general, menu delivery companies collect 25 to 30 percent of the menu price and assess a $5 to $10 delivery fee.

Even in that thin strip of commonality, there are wide differences. Some menu deliverers buy the meal up front at a discount or at cost but charge the home diner the whole menu price.

But third-party meal delivery systems are a risky proposition, some restaurateurs argue.

Jim Lanza, general manager of Coastal, a popular American eclectic restaurant on Manhattan's West Side that delivers in a 30-block area, says customers often pay higher prices when restaurants team up with home delivery networks. He further argued that there is a loss of control on the restaurant's part when it comes to monitoring the deliverer's attitude and service attentiveness.

Another drawback to home delivery, says Heidi Reiss, general manager for Rothchild's, an upscale restaurant that is a client of Restaurant Express, is that not all meals travel well. She says dishes with heavy creams and sauces are the ones that present the greatest challenge.

As far as Lanza's point that restaurants lose control with delivery services, Reiss says she constantly talks to her patrons about the quality of the meal and the service and, in so doing, can take corrective actions if something is out of line.

But Chuck Curcio, co-owner of the Tortilla Factory in Herndon, Va., a Mexican Restaurant whose meals are delivered by Takeout Taxi, says his company has not looked back since signing on three years ago. He says the restaurant has recorded 7 percent to 8 percent annual sales gains from takeout and delivery without having to add any new staff or equipment.

"We're a 200-seat restaurant in a shopping mall and we have no more room to increase our business, but this has given us a way to add seats without any increases in advertising, equipment or staff," he says. "It's been very profitable."

Curcio noted that management of the 15-year-old restaurant had been exploring the possibility of offering delivery on its own, but the insurance costs, advertising expense and staffing requirements made it an expensive proposition until Takeout Taxi appeared.

Despite the surge in the activity, meal delivery at home has been slowing for at least three years, according to a study by the National Restaurant Association and GDR Crest.

When measured by percentage change in annual traffic counts, off-premise dining (excluding catering) peaked in 1984 to the extent that the rate of growth had, in fact, outpaced on-premise dining and was said to be the driving force behind the growth of the industry.

In the second quarter of 1989, off-premise dining declined for the first time since 1979, dropping 1 percent, with drive-thru, carryout and delivery all slowing down. Off-site dining, which had been percolating along at a 7 percent rate in 1986 and 1987, grew by only 4 percent in 1988. Carryout activity declined 2 percent in 1988, lower than the 4-percent to 5-percent growth rate recorded in 1986 and 1987.

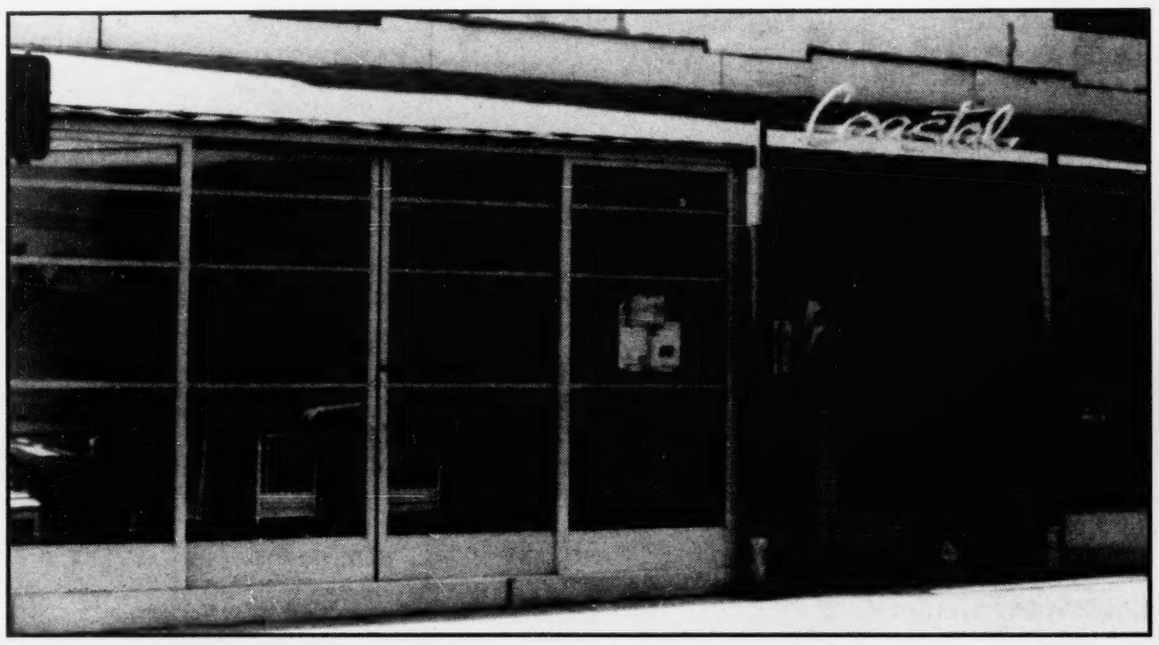
Moreover, the NRA conducted a consumer attitudes survey revealing that those who ate restaurant meals at home are a diverse lot and are hard to categorize. (See chart page 36).

Despite the studies suggesting a downturn in delivery, operators of the meal delivery companies say their businesses are adding new restaurant clients and steadily improving their services.

Jonathan Krasner, vice president of Takeout Taxi, says that while delivery might be softening, it continues to be stronger than on-premise dining. He says his business continues to grow to the extent that the company will soon begin franchising the concept.

With five locations in the Washington suburban area serving 75 restaurant clients, Takeout Taxi has developed a software package that allows it to track the orders of 150,000 households and to devise the appropriate marketing strategies to keep the household's business.

"We work in a pretty affluent area, mostly two-income homes with a high discretionary budget," Krasner says. "Most of our customers drive home from work in Washington in about 45 minutes or so and when they get home, there are kids crying and other things to attend to and they just don't have the freedom to go out — but they still want a quality meal."



NRN Photo

Coastal, on Manhattan's West Side, delivers by bicycle to a 20-block radius.

Unlike many meal delivery companies, Takeout Taxi has carved out its niche in the low-to-midscale restaurant segment, opting not to offer gourmet cuisines, which seem to be the bent of many in the segment.

Takeout Taxi president Kevin Abt says that because the average per person check is under $10 and because Takeout Taxi has the largest known restaurant client base in the segment, the company is at the high end in the sales segment, with revenues projected to hit $4 million.

In Chicago, Room Service, a meal delivery company with 14 clients, has a fleet of 15 distinctly logoed vehicles whose drivers are all waiters who deliver the orders in tuxedos and are fully prepared to describe the course to the customer.

"It's our way of providing an upscale experience for those who don't have the time to go out," says Brian Keil, chief executive officer of the 2-year-old concern.

Keil says there are no additional expense or staffing requirements for the restaurants that decide to use his company. He says Room Service delivers about 100 meals a night and collects about 30 percent of the menu price.

Hetherington, the Restaurant Express operator in California, says his company delivers about 400 to 600 meals a week at a per person ticket average of $30, of which approximately 25 percent is collected by the company in addition to a delivery fee.

"It's our way of providing an upscale experience for those who don't have the time to go out."

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 29 | Published every Monday by Lebhar-Friedman Inc. $3 per issue | July 23, 1990

Industry loses on AIDS clause

Congress OKs disabilities bill protecting food-handling jobs of HIV-infected workers

by Peter Romeo

WASHINGTON — In a deft political maneuver that blindsided foodservice lobbyists, Congress has neutralized legislation that would have permitted restaurateurs to shift employees with AIDS into jobs where food would not be handled.

"They've taken away the flexibility an employer had to reassign an employee with AIDS," lamented Bill Fisher, executive vice president of the National Restaurant Association.

The setback leaves eating places without a defense against consumers' irrational fears about contracting AIDS from a server or kitchen staffer suffering from the disease, according to industry leaders. They maintain that the unfounded worries will force some places to close even though they do not pose a health risk.

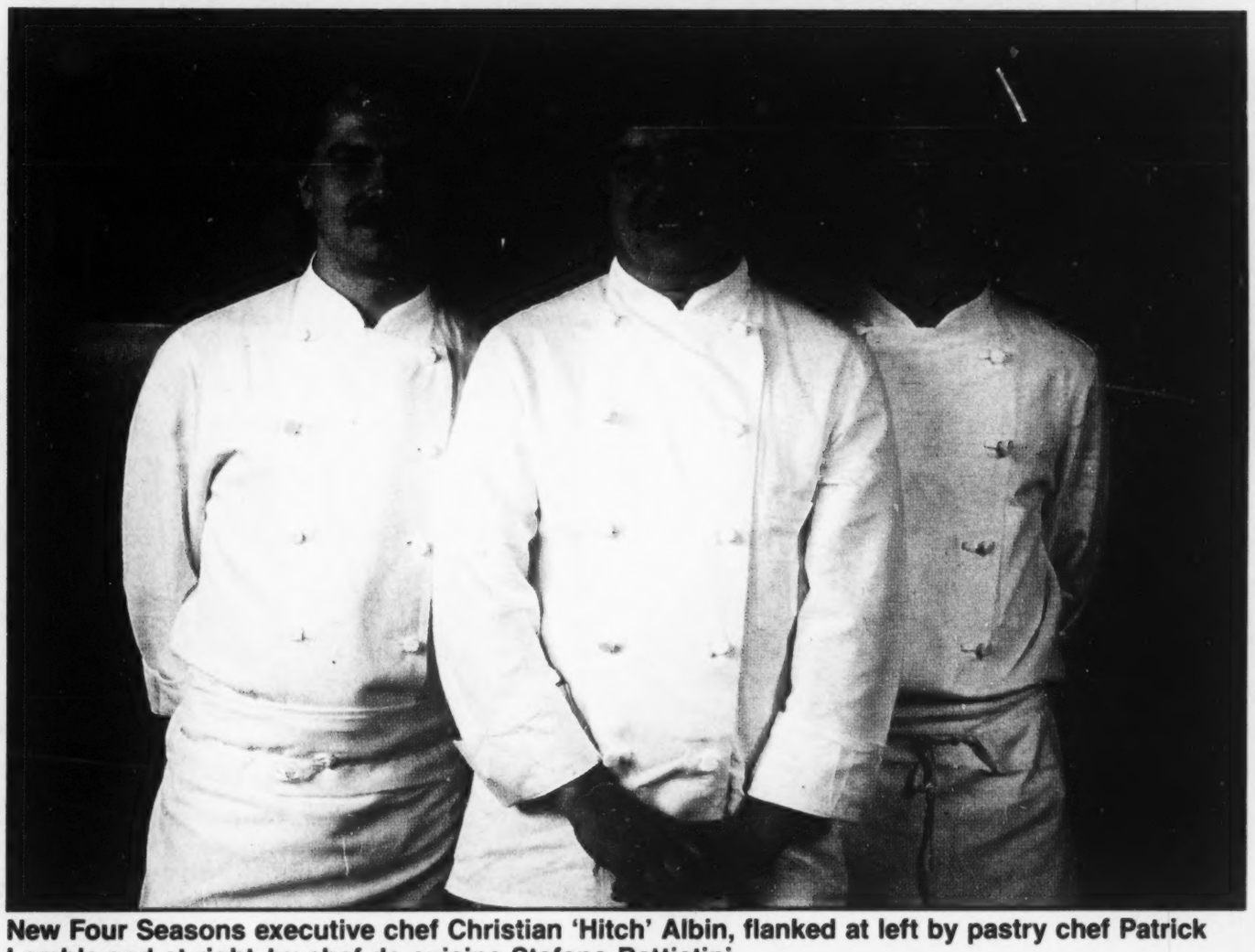
However, Congress' sudden move also defused a situation that was growing increasingly controversial, with gay and civil-rights groups threatening to boycott and picket restaurants if the industry continued to press for the AIDS reassignment measure.

The proposal, known as the Chapman amendment in the House and the Helms amendment in the Senate, was rendered ineffective when Sen. Orrin Hatch, R-Utah, suggested that it be replaced with a measure that seemed only negligibly different.

The Helms amendment would have enabled foodservice establishments to reassign staffers with contagious diseases into new posts that would not entail handling food.

Hatch's amendment made

(See AIDS, page 59)



New Four Seasons executive chef Christian 'Hitch' Albin, flanked at left by pastry chef Patrick Lemble and at right by chef de cuisine Stefano Battistini.

Four Seasons shuffles chefs, freshens menu

by Paul Frumkin

NEW YORK — Thirty-one years after introducing the concept of seasonality to the modern American restaurant industry, the landmark Four Seasons has ushered in a new season of change for itself.

For the first time in 17 years, the cuisine of what many call the quintessential New York restaurant does not bear the distinctive imprint of Joseph "Seppi" Renggli, the operation's veteran chef dismissed four months ago.

The summer menus for the 400-plus-seat Pool and Grill Rooms are a collaborative effort of Renggli's successor, Christian "Hitch" Albin, chef de cuisine Stefano Battistini and owners Tom Margittai and Paul Kovi.

Unquestionably, much remains the same. "The new menu is not new," Margittai declared. "The philosophy is absolutely unchanged. The *items* are new."

In fact, Four Seasons regulars will still find such house signatures as crisp shrimp, Scottish salmon, duck for two, roast rack of lamb and chocolate velvet.

Nevertheless, a perceptible change is woven throughout the fabric of the menu. In addition to inaugurating a number of new dishes, the kitchen has also rethought ex-

(See FOUR SEASONS, page 59)

Burger King, Domino's link for pizza test

by Milford Prewitt

ANN ARBOR, Mich. — The nation's second-largest pizza company and second-largest hamburger chain — Domino's Pizza and Burger King — will team up to test-market the sale of pizza through Burger King units.

Just one week after Domino's stunning disclosure that it will break with its heritage of home delivery to create a new on-premises dining concept with personal pan pizzas called Pizzazz!, the company said it would test Pizzazz! pizza in four Burger King units in Columbia, S.C.

"When you think about the size of the two chains, it really is an exciting possibility

(See BK, page 4)

Food stamp plan may help the homeless

by Peter Romeo

WASHINGTON — Congress is considering a Bush administration proposal that would enable homeless persons to use food stamps in restaurants willing to accept them.

Destitute patrons would wield the stamps as discount coupons to slash the price of meals that cooperating restaurants would offer at special reduced rates. For instance, an eating place might cut the cost of a $4 meal to $2.35 and then accept a $1 food stamp as part of the payment.

Dining places would col-

(See FOOD STAMPS, page 58)

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 29 July 23, 1990

NEWS BRIEFS

Fla. association to sue over state drink surcharge

HOLLYWOOD, Fla. — The Florida Restaurant Association said it plans to file a lawsuit challenging a controversial new state law that forces restaurant and tavern operators to charge patrons a surcharge for every alcoholic drink they buy.

The group said the suit would allege that the tax is discriminatory and unconstitutional because it is levied on restaurants and taverns but not on liquor stores.

"Traditionally alcoholic beverage taxes are placed on all forms of the beverage industry, and this is the first time Florida has singled out the restaurant and bar industry," said Manny Mighdoll, FRA executive vice president.

Calif. lawmakers seek further cuts in business meal deduction

SACRAMENTO, Calif. — A proposal to cut the tax deductibility of business persons' restaurant expenditures has surfaced here in the California Legislature, which often sets an example for lawmakers in Congress and other states.

Under the initiative, California businesses would be able to deduct from their state taxes only 70 percent of expenditures for meals involving the entertaining of clients. The level has been 80 percent since 1986, when the write-off was lowered nationwide from 100 percent.

The industry has long feared that the U.S. government will slash the federal level to 70 percent or even 50 percent from the current 80-percent threshold in an attempt to generate much-needed revenues.

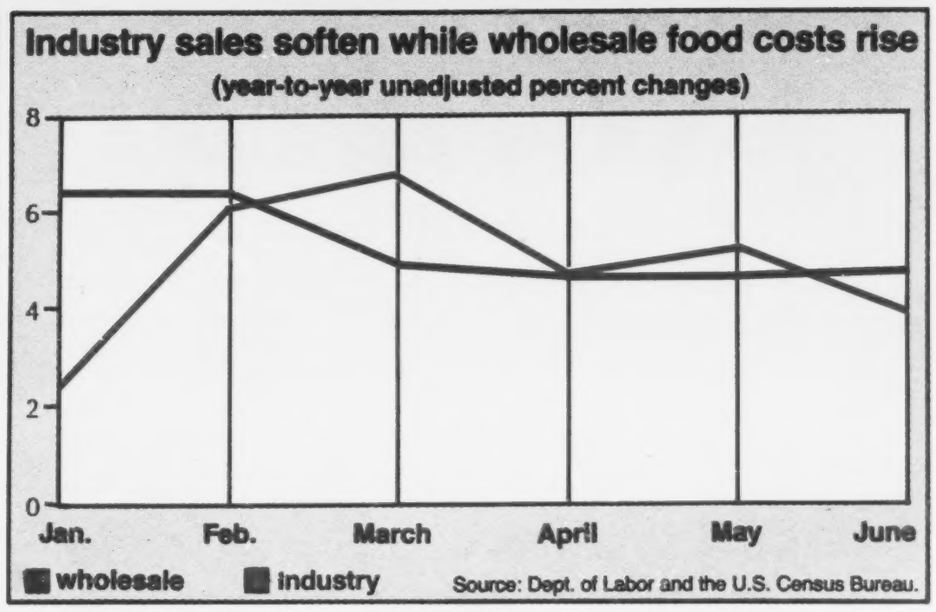
If the California proposal passes, a business based in the state would continue to deduct 80 percent of a business meal's cost from revenue amounts subject to federal taxes. But it could deduct only 70 percent from its state tax payments.

Government seeks new safety rules for deliverers

WASHINGTON — Pizzeria operators who fail to compel their delivery drivers to wear seat belts would be fined as much as $10,000 under driving-safety regulations being sought by the U.S. Department of Labor.

The fines would also be levied on delivery businesses that neglected to offer driver training programs.

The Labor Department has proposed a number of new safety regulations in an attempt to protect persons who drive or ride in cars in the performance of their jobs. The rules would be enforced by the Occupational Safety and Health Administration.



Industry sales slow; food costs rise in June

WASHINGTON — Led by increased pork prices, the costs of wholesale foods rose 5 percent in June — a slight easing overall — but sales at eating and drinking places rose at its second-slowest rate this year.

On an unadjusted basis, annualized sales growth at eating and drinking places slowed to 3.4 percent in June, down from 4.8 percent in May and a 1990 high of 6.5 percent in March, according to the U.S. Census' monthly retail sales report.

Meanwhile, the steadily increasing cost of pork is making it difficult for some restaurateurs to keep up. Pork prices rose 33.5 percent in June in year-to-year unadjusted comparisons, according to the Department of Labor's monthly producer price index, making it the single largest commodity food product in the agency's finished consumer foods category.

As has been the case since March, pork prices have been rising owing to a shortage of production and higher demand, primarily from overseas.

Between May and June, wholesale food prices declined two-tenths of a percent.

The 5-percent increase in wholesale food costs was the third-highest annual increase this year, behind February's unadjusted 6.3-percent rise.

Accor acquires Motel 6, bids for Divi Hotels

DALLAS — On the heels of striking a deal to acquire Motel 6, Accor S.A., the French hotel and restaurant conglomerate, is negotiating to buy the Divi Hotels chain.

Accor — which owns the luxury hotel chains Sofitel and Novotel — is seeking to buy Divi's resort hotel operations in the Caribbean, including its marketing division, trademarks and other assets, Divi said in a prepared statement. Divi would retain and continue to operate its time-share and casino businesses.

Meanwhile, Accor has agreed to acquire the no-frills 550-outlet Motel 6 chain for $1.3 billion, or $22.50 a share. The deal makes it the world's largest owner and operator of hotel rooms, with more than 160,000 suites worldwide and 850 hotels in 60 countries.

In addition to its sizable hotel portfolio, Accor operates 3,000 restaurants.

Accor's 1990 sales throughout the world are projected to top $4 billion with net income in excess of $150 million.

Motel 6, with 550 motels and more than $475 million in 1989 revenues, is best known for its folksy, homespun radio commercials by humorist Tom Bodett. The spots usually end with his trying to drum up business by telling would-be guests "and we'll leave the light on for you."

Mass. court disallows vote on packaging ban

BOSTON — In a favorable turn of events for Massachusetts' restaurant trade, the state's highest court has blocked a referendum vote on a proposal that would have banned all food containers except those that are reusable, recyclable or made from recovered materials.

Environmental groups had gathered more than 120,000 signatures to put the initiative on the November ballot. But the State Judicial Court ruled that the vote could not be allowed because one of the 10 original signatures was invalid.

To put an initiative on the ballot, proponents must first file a petition, which requires the signature of 10 voters. They must then gather a much greater number of signatures to demonstrate widespread support for the petition.

One of the 10 original signers of the recycling proposal never read what she endorsed, rendering the signature invalid, the court ruled.

The Massachusetts proposal is widely viewed as one of the most stringent recycling measures in the nation. The restaurant industry was among the many businesses that lobbied against it.

The court ruled on an action brought by the Committee for Responsible Waste Management, a business coalition.

FINANCIAL NEWS

Wendy's stock up; analysts wonder: 'Where's the Beef?'

by Peter O. Keegan

DUBLIN, Ohio — A summer heat wave has set Wendy's International Inc. stock on a surge, and analysts, investors and the company are at odds over what is fueling the frenzy.

With shares trading at a breakneck pace, takeover talk on the lips of investors, an upbeat analyst's recommendation and strong first-quarter operating results, Wendy's stock rose from a February low of $3.88 a share to a 52-week high of $7.50 recently, before easing back a bit.

Despite the resurgence, the value of Wendy's stock is still far less than the $16-per-share price it commanded several years ago.

Moreover, corporate insiders may be riding the bull, enhancing the stock's allure. In filings with the Securities and Exchange Commission, 17 Wendy's executives have bought a total of 119,100 shares, at about $4 to $4.88 a share.

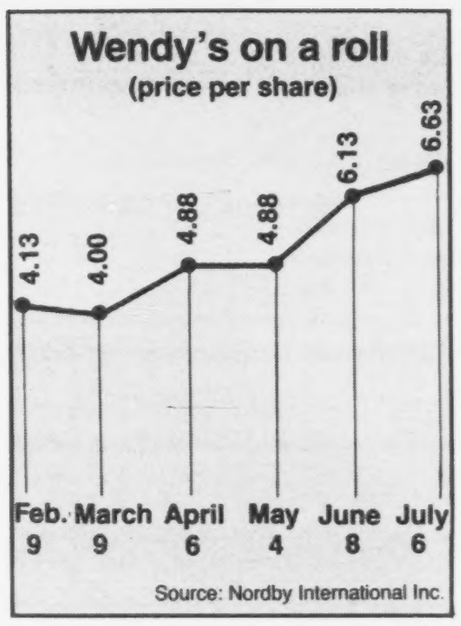
Initially, investors were buying shares because of the rumor that Pepsico was working a deal to acquire Wendy's, a rumor that recycles periodically and every time it does, Wall Street scoffs.

"It is highly unlikely that Pepsico would buy Wendy's," said Steven Rockwell, an analyst with Alex. Brown & Sons in Baltimore. "In this financial environment it would be practically impossible to finance such a deal."

While Rockwell attributed the surging interest in Wendy's to operational improvements, he cautioned that the company still has a way to go.

Rockwell says that Wendy's has "done a good job moving out of the pit," but he is concerned about whether the stock is correctly priced and whether operations improvements will continue.

In addition to the takeover rumors and stock purchases by insiders, Wendy's communications vice president Denny Lynch saw a number of other factors behind the stock price surge.



He felt that the fundamentals of the business have been steadily improving thanks to the fruition of new programs implanted by management. He also said that decentralizing authority, a better price-value perception by consumers, improved training and retention programs, increased store-level staffing and Wendy's franchise turnaround program have had a cumulative effect on company performance.

But an overriding catalyst — which had a definitive impact on the stock — was Shearson Lehman Hutton analyst Caroline Levy's recent buy recommendation.

Identifying improved operations and profits, a staff cut of 500, low debt and increased consumer ad awareness, Levy increased Wendy's earnings projections for 1990 and 1991.

She said a "slow, steady" turnaround was under way. She upgraded the stock, predicting that it would outperform the market estimates by 10 to 20 points for the short and long terms. She also increased 1990 earnings-per-share estimates from 30 cents to 35 cents and targeted 46 cents in earnings for 1991.

"The bottom line is that changes that Wendy's has made over the past three years have resulted in better margins," Levy noted. "But I think the stock people want to buy; they like Wendy's and want to believe that the company is turning around."

Operating costs have been reduced $22 million from the figure for the same period last year, and operating margins are up from 6.4 percent to 9.8 percent for the quarter. Operating income nearly tripled, to $3 million, compared with $814,000 for the same period a year ago.

In light of Wendy's track record over the past few years, many analysts remain skeptical about the future of the chain, especially its franchise problems, the fierce competition in the segment and relatively flat sales.

"The stock is more than fully priced," said Mike Mueller, an analyst with Montgomery Securities. "I think the stock should be sold."

Mueller went on to note that the company is doing a good job controlling costs and managing the business better, but he questioned its ability to sustain margin improvement at the unit level.

"Margin improvement is coming from couponing, not from demand," he said, adding that long-term earnings growth doesn't look good for 1991.

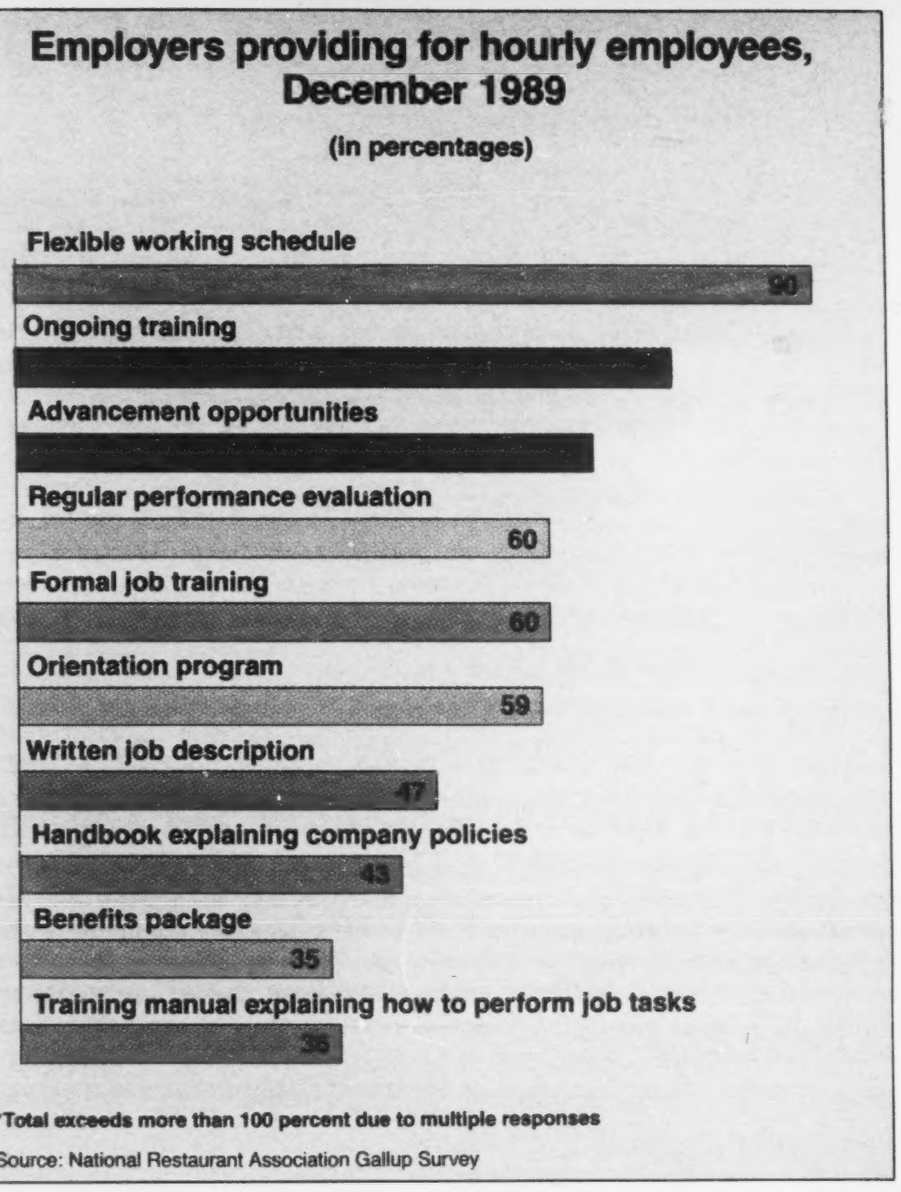
Mueller further stated that the SuperValue Menu has a good price-value ratio, which has been a stumbling block in the past, and has boosted operating performance.

"In the last quarter their perceived value has improved," said Alex. Brown's Rockwell, who added that the current stock price is inflated. He said that advertising recall by consumers has increased since Wendy's founder, Dave Thomas, began appearing in commercials.

Wendy's claims that the

(See WENDY'S, page 57)

FACT FILE



FINANCIAL DIGEST

Max & Erma's net falls 49%

COLUMBUS, Ohio — Max & Erma's second-quarter net income fell 49 percent, to $166,000, while revenues rose 21 percent, to $6.8 million, for the second quarter ended May 13.

Company executives attributed the earnings drop partly to difficult comparisons, noting that an extraordinary tax carryforward of $111,000 pushed year-ago net income to $328,000. Minus last year's extraordinary tax credit, profit was still 23 percent less in the most recent quarter.

For the 28-week period, revenues grew 21 percent, to $15.6 million, while net income, again contrasted with the year-ago tax gain, fell 34 percent, to $421,000.

Todd Barnum, chairman and chief executive of the 15-unit casual dining chain, said he did not think the second-quarter performance accurately reflected the growth mode and progress Max & Erma's has made. He said the company is in a state of transition, going from little or no growth to one that has increased its restaurants by 25 percent and revenues by 21 percent.

Nevertheless, Barnum noted that despite a 2-percent-to-3-percent increase in customer counts, profit margins at older restaurants have been slumping as labor costs rise from a change in the food-to-beverage sales mix. He explained that food costs have been climbing as alcohol sales decline.

Company buys 22 Church's restaurants

COLUMBIA, S.C. — Al Copeland Enterprises has sold 22 existing company-operated Church's Fried Chicken restaurants in South Carolina to Churpeyes Inc., a newly formed franchisee cpmpany.

Terms of the deal were not disclosed.

Leon Irons, president of Churpeyes and a former Perkins Family Restaurant executive, Bill Nesbitt, vice president of operations and a former Church's area director in Jacksonville Fla., and Robert Elmerick, financial officer and a certified public accountant from Santa Barbara, Calif., are the three principal owners of the new company.

Skyline Chili revenues flatten in 2nd Q

CINCINNATI — Poor weather and poor timing of promotions were the culprits Skyline Chili blamed for a 1.4-percent slump in second-quarter revenues, down to $4.1 million, even though earnings jumped 30 percent, to $137,000.

For the period ended May 13, the 28-week session's sales and net income were the exact opposite; revenues rose while earnings declined. During the half-year mark revenues rose 6 percent, to $10 million, while net income decreased 22 percent in relation to the year-ago period, to $234,000.

Skyline Chili, operator and franchisor of 79 restaurants specializing in Cincinnati-style chili, said it expects its profit picture to improve by the end of the year.

FOOD PRICE OUTLOOK

Lettuce prices continue to move up

by Patt Patterson

Iceberg lettuce prices have risen over the past weeks largely because of three factors. Demand has increased with the onset of warmer weather. California is now the major source, with New York the only other state producing commercial quantities. A tight truck situation has prevailed in several areas, including the central coast of California, now the country's major source for iceberg lettuce.

Prices of **romaine, red leaf, green leaf** and **butterhead** (Boston) **lettuces** are still at the low prices set earlier in the season. **Fresh broccoli** and **cauliflower** prices from the central coast area are also running below growers' costs.

Processing apples appear to be in shorter supply than normal. Michigan's crop alone is down by about 17 percent from last year's. That could push prices up for both sliced apples and apple sauce.

Red tart cherries are another crop below normal size. The **canned apricot** pack is scheduled to be the same size as last year's; prices should remain stable. Expect the **cling peach** pack to be close to last year's with a good ratio of larger-sized fruit and stable prices.

Midwest **peas, green beans** and **corn** are all behind in planting because of the heavy rains in June. With corn, the possibility of a curtailed harvest because of early frost is strong.

FOCUS

Cash and carry wholesalers pay off for small-order operators

These foodservice wholesalers are helping restaurateurs meet their needs for smaller, fill-in orders that cause large-volume distributors to shy away

by Jack Hayes

As the dust settles over a decade of mergers and buyouts in the turf-dominated world of wholesale foodservice, more and more restaurant operators are asking cash-and-carry warehouse chains to supply the one thing their distributors can no longer profitably deliver: same-day service on fill-in goods.

Or, for that matter, *any*day service on products that don't meet a minimum dollar or bulk quota.

"Distributors are saying it's impossible to make money on small-order deliveries," admits Gil Kretzer, executive director of the International Foodservice Distributors Association.

In fact, many distributors are opening, or already have opened, storefronts in their warehouses to provide cash-and-carry service.

But outlets solely dedicated to cash and carry — led by chain giants like 130-unit Sam's Wholesale Club and Los Angeles-based Smart & Final with 112 stores — are becoming a key supplement for operators who need emergency replenishment of food items, groceries, paper goods and other dining-room or kitchen products that run out between scheduled truck stops.

No longer a shopping place for just the mom-and-pop independent, cash-and-carry wholesalers are expanding beyond french-fry shortening and plasticware — into produce, frozen food, dairy, meat, baked goods and equipment — at no small cost to distributors who have been focusing on large orders and locked-in service schedules to maximize their efficiency.

"I've got the idea that distributors don't mind giving up their small business," says Roger Laverty III, president of Smart & Final, a chain that is expanding into Arizona from California and Nevada.

The problem — stemming from 10years of local turf battles and regional consolidation in the wholesale segment — follows a gradual dwindling of small and medium-sized distributors whose service was built to accommodate small orders quickly.

During the consolidation, national giants, on the one hand, and regional powers acquired, merged with or simply drove out many of the locals.

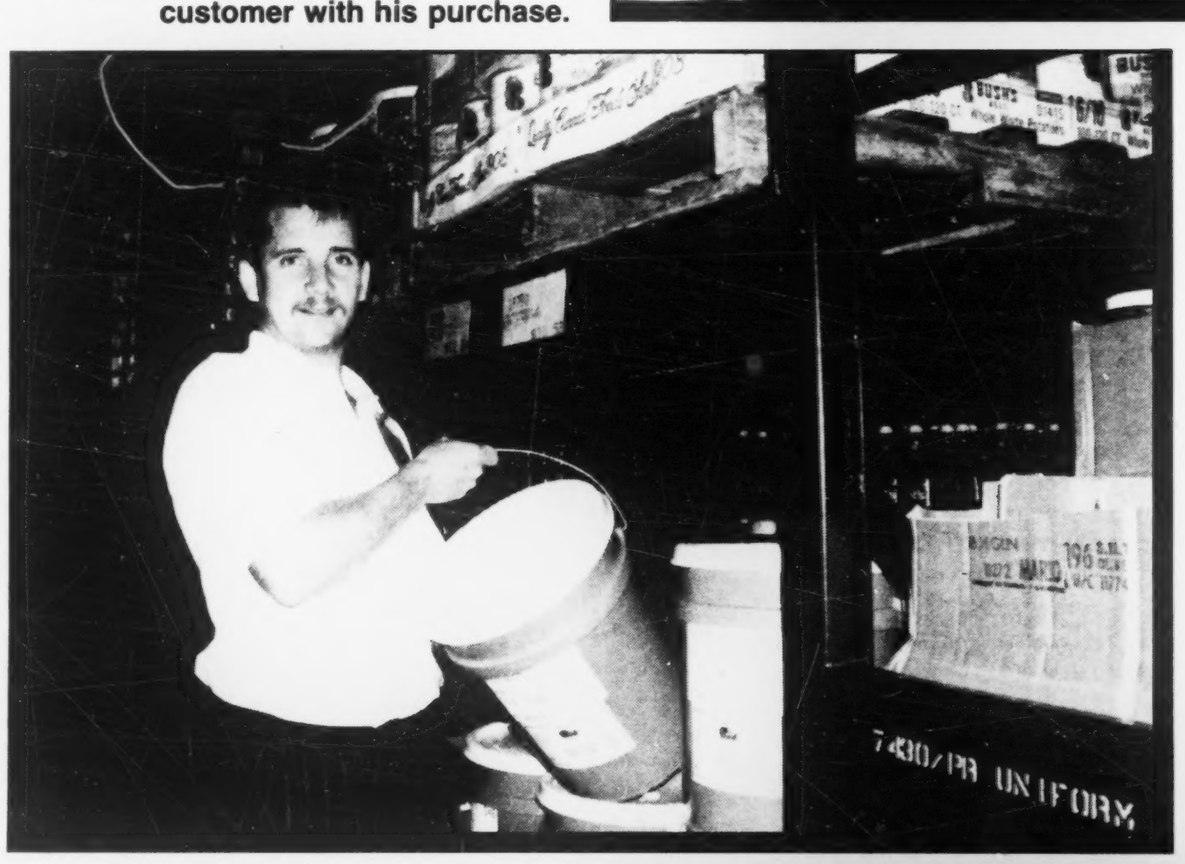
In the mature environment that remains, wholesalers have squared off with sharper prices and wider assortments, which is a definite plus. Nevertheless, operators are having to accept more "structured" levels of service, including programmed deliveries as well as quotas on many of their basic product orders.

As a result, cash-and-carry wholesalers are springing up like convenience stores along a highway stacked with shopping malls. And independent operators — including caterers, restaurateurs and contract feeders — are fast becoming their loyal clientele.

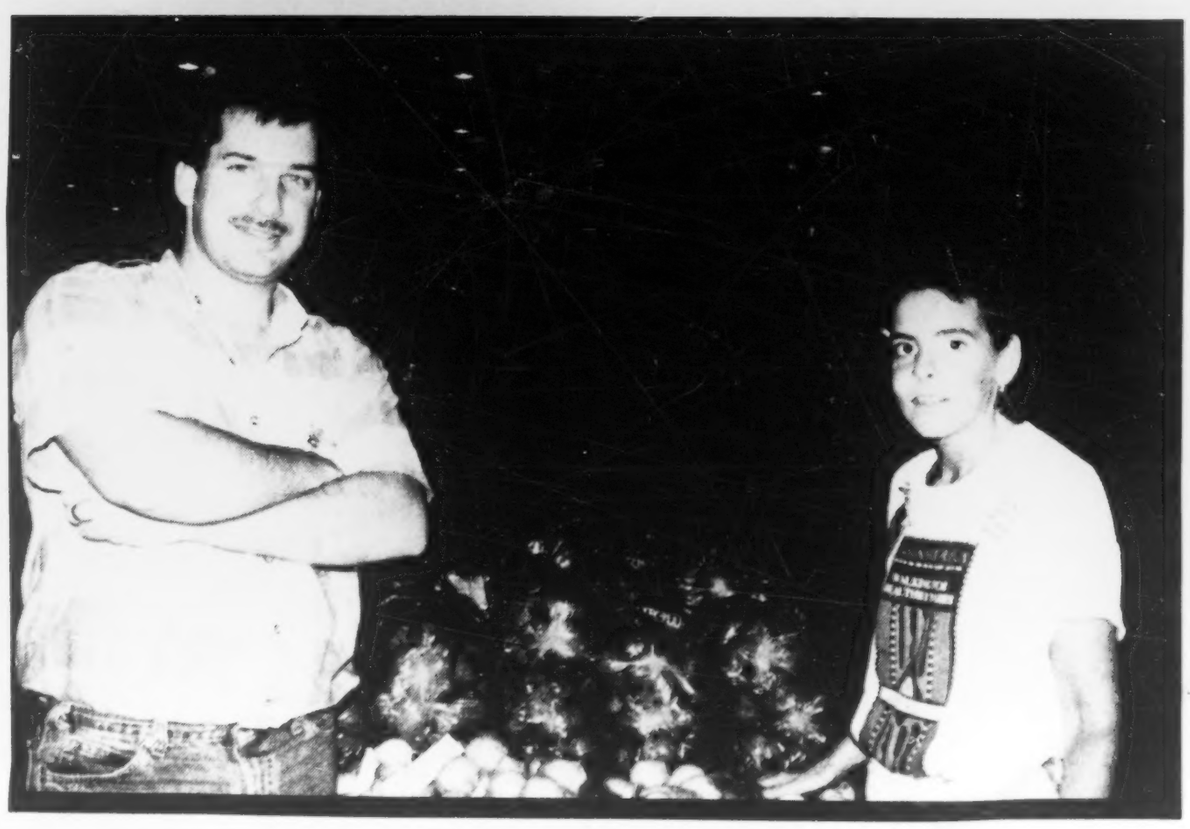
"If you included the Elks Clubs and the Little League concession stands, foodservice would be 70 percent of our business," adds Laverty of Smart & Fi-

(See CASH & CARRY, page 28)

A Smart & Final employee assists a customer with his purchase.



Leland Johnson, general manager of Sam's Wholesale Clubs in Marietta, Ga., shows off a 5-gallon bucket of Kosher dill pickles.



Chuck Smith, left, assistant warehouse director, and Mary Gasparini, warehouse director, Pace Membership Warehouse, Roswell, Ga., display the chain's fresh produce offerings.

FOCUS

Cash and carry wholesalers pay off

(Continued from page 27)

nal, who says grocery, frozen food and produce are his key growth areas.

While the average cash-and-carry chain today gets more like 30 percent of its business from foodservice, that share is expected to grow dramatically in the future. Meanwhile, cash and carry wholesalers are opening new stores at a record pace.

Costco Wholesale Club, a 62-unit warehouse chain based in Seattle and concentrated in the Northwest, will soon jump into Massachusetts, Connecticut and New York state, with its first store to open near Boston.

PACE Membership Warehouse, the 50-unit wholesale chain that K Mart bought late last year, is being merged with K Mart's Macro Inc. to create a 59-store PACE network that will span 16 states by early August.

BJ's Wholesale Club, a 24-unit warehouse chain based in Natick, Mass., is also spreading roots beyond its regional base, which reaches into the Southeast and the Midwest. New stores are being opened in Pennsylvania, Virginia, Illinois, Connecticut and New York.

The cash-and-carry chains, aware that the niche they now occupy has major growth potential, are fattening their assortments and their operating hours to make themselves even more important to foodservice customers.

"Our game plan is to do more with restaurants," declares Ben Capeloto, who buys produce for the 8-year-old Costco chain. "We've set up scratch bakeries and meat departments with larger packages. Two days a week we're opening early for them. We're enlarging where we can."

"Foodservice is a major part of our business; we're taking surveys now in every club to find out what we can add," claims T.J. Matheny, vice president and marketing director at BJ's, adding that frozen food is growing immensely.

The San Diego-based Price Co., each of whose 50 cash-and-carry warehouses averages $100 million per year, is packaging its own meat and selling case sizes of produce.

Restaurant and foodservice program buyer Bill Baker says his chain, like BJ's, is holding focus groups with restaurant members to find out their needs.

Product lines are being expanded at several Price Club warehouses, Baker claims. One of the hottest new lines is baked goods.

Cash-and-carry wholesalers are also stretching their hours for restaurant operators, setting special times aside for exclusive shopping. Managers say they can expedite rush orders, and some units are even making deliveries.

"If an operator calls ahead of time in an emergency, I'll try to have his order waiting," says Leland Johnson, a general manager at Sam's Wholesale Club in Marietta, Ga.

Some Smart & Final units are opening at 6 a.m. for operators. Typical patrons include one-unit pizzerias, Mexican dinner houses and catering trucks. Large independents and chain operators also show up but less frequently.

Meanwhile, not all distributors are willing to turn over cash-and-carry business to the wholesale clubs and chains.

Many are going after the lost sales with their own walk-in warehouses.

To name just one, Gordon Food Service, based in Grand Rapids, Mich., is operating 20 cash-and-carry locations around the Midwest as "customer service centers."

"It's growing well," says Gary Kortz, who is manager of Gordon's customer service division. "It's a necessary supplement to our distributor business.

Cash-and-carry chains are expanding assortments and operating hours to cater to foodservice.

We're expanding at a controlled rate. We intend to keep it alive."

Ranked among the top 10 foodservice distributors in the country, Gordon Food Service may be setting the groundwork for its wholesale peers.

"I believe we'll see more distributors going into cash and carry," predicts Kretzer of IFDA. "All things are leading toward it. I think it's a great move."

Yet Kortz says cash-and-carry volume is still just a fraction — less than 10 percent — of Gordon's total business, which now approaches $650 million.

"We're a c-store for the restaurants and a full-service supply center for the institutional accounts [part-time contract feeders and seasonal caterers] who are otherwise too small," Kortz explains.

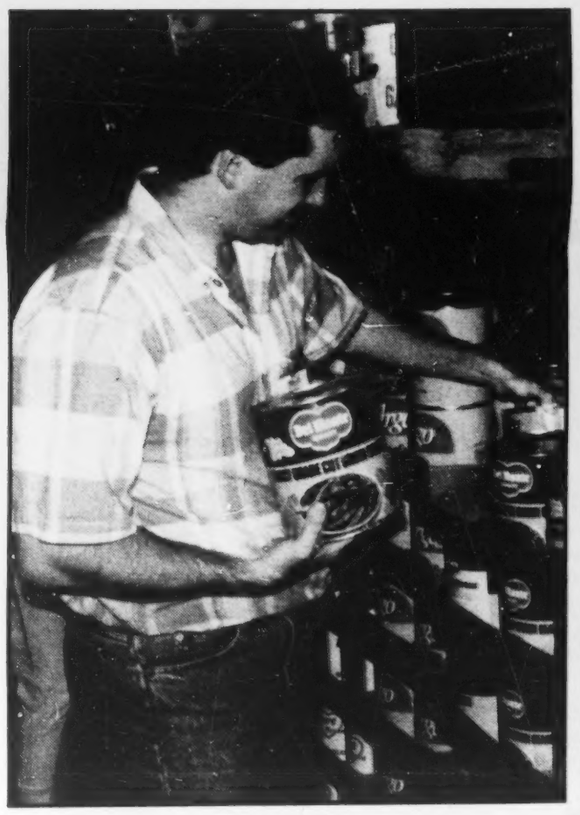
Even the National Association of Wholesaler-Distributors, an umbrella group linking distributor representatives from more than 100 industries, is acknowledging the aggressiveness of the cash-and-carry warehouse chains.

"The warehouse club phenomenon is more than a minor factor," says the NAW's Ron Schreibman. "Grocery is one of the areas they're expanding in. But some distributors are fighting back."

THE CHANGING FACE OF FOODSERVICE DISTRIBUTION

1986	Kent, Wash.-based Food Services of America, now one of the nation's regional giants, with 1990 sales expected to approach $700 million, is created by the merger of Miller Cascade Foods and Pacific Gamble Robinson Co.
1987	North American Foodservice, a Chicago-based distributor buying and marketing group, merges with the New Jersey-based National Alliance Distributing Co. Only six months later the surviving group combines with Atlanta-based Nifda to form the 135-member ComSource Independent Food Service Inc., with sales projected to pass $7 billion by 1990.
1988	Kraft Foodservice is bought by Philip Morris and merged into a group with General Foods called KGF Commercial Products, capping years of aggressive acquisition that will result in Kraft's becoming the nation's No. 2 foodservice distributor, with more than $3 billion in sales in 1990.
1988	Sysco Corp., the nation's largest foodservice distributor, grows even mightier with the acquisition of CFS Continental. The wholesale giant services 225,000 accounts from more than 100 distribution centers and boasts more than $7 billion in volume for 1990.
1989	Impressed by Walmart's results with Sam's Wholesale Club, K mart buys PACE Membership Warehouse, a 50-unit wholesale club based in Aurora, Colo. At the same time K mart buys the remaining 49 percent of Macro Inc., a club concept based in Cincinnati, and begins merging the two. By August 1990 there will be 59 PACE units operating in 16 states.
1990	Industry observers predict there will be 15 percent to 25 percent fewer foodservice distributors operating by 1995. That means 2,250 to 2,650 wholesale firms compared with 3,000 companies in 1990. Continuing national and regional consolidation, through mergers and acquisitions, is the cause.

A Smart & Final unit, of which there are 107 in California, Nevada and Arizona.



Above: Leland Johnson of Sam's Wholesale Clubs displays a case of chicken wings from the freezer section. Right: Chuck Smith stacks #10 cans of green beans at PACE Membership Warehouse.

WHO'S WHO IN CASH & CARRY WHOLESALE

Company/headquarters	Territory	Stores	Plans
Sam's Wholesale Club Bentonville, Ark.	National	130	Expand Bakery/Produce; Continued Market Growth
Smart & Final Los Angeles	Calif., Nev.	112	Move to Ariz.; Add 8-12 New Units a Year
Costco Wholesale Corp. Kirkland, Wash	West; Fla.	62	Build Bakery/Produce; Move to Mass., Northeast
PACE Membership Warehouse Aurora, Colo.	National	59	Expand Bakery/Produce; Grow Institutional Sales
Price Club San Diego	West, Northeast	50	Move to Denver; Packaged Meat/Produce/Bakery Push
BJ's Wholesale Club Natick, Mass.	Northeast	24	Expand to Pa., Va.; Add Products by Market
Gordon Food Service Grand Rapids, Mich.	Midwest	20	Controlled Growth; More High-Volume Basics
Price Savers Salt Lake City	West	15	Existing Market Growth; Expand Restaurant Lines

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THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 30 Published every Monday by Lebhar-Friedman Inc. $3 per issue July 30, 1990

NRN Photo

Boise booms

Philip Neville of Ducks, here showing off some dishes on a pile of mesquite, is betting an economic boom in Boise, Idaho, will power sales at his Ducks restaurant past $1 million this year. But others are facing new labor shortages and increased competition as restaurants crowd into the market. ***(For full report, see page 7.)***

Operators vie to repeal Fla. drink tax

New law blasted for exempting supermarkets, liquor stores

by Peter Romeo

TALLAHASSEE, Fla. — Infuriated by the bookkeeping headaches of a new drink tax levied solely on restaurants and bars, operators throughout the state are hammering lawmakers to reconsider the law they passed so hastily just a few weeks ago.

Industry leaders expressed hope that the legislators would repeal rather than amend the month-old tax, thereby removing the price disadvantage that was imposed on eating and drinking places. Liquor stores, supermarkets and convenience stores were exempted from the charge, enabling them to hold their alcohol prices while restaurant and tavern operators were raising theirs.

The new measure comes at a time when several other states — including California and New York — as well as the federal government are eyeing new liquor taxes to raise revenues.

In Florida restaurants and taverns must pay 10 cents for every ounce of liquor or 4 ounces of wine that they sell. The fee is four cents for every 12 ounces of beer.

Restaurants and taverns are expected to pass along the charge to their patrons, who already pay a 6-percent sales tax.

(See FLORIDA, page 69)

NRN launches balloting for Operator of Year

Nation's Restaurant News has opened voting for the prestigious Multi-Unit Food Service Operator of the Year Award.

A mail-in ballot follows page 32 of this week's issue of NRN.

NRN subscribers can vote for the executive of their choice by filling in the postage-paid reply-card ballot. The ballot will appear also in next week's issue.

Each of the six candidates is already a winner of the Golden Chain award for demonstrating extraordinary leadership in multi-unit operations.

The Golden Chain honors are bestowed annually by Nation's Restaurant News, but the Operator of the Year is chosen by NRN subscribers, who represent the industry's leading decision-makers.

Past winners of the MUFSO Operator of the Year Award have included Warren Rosenthal of Long John Silver's Seafood Shoppes, Frank Carney of Pizza Hut, James McLamore of Burger King,

Norman Brinker of Steak & Ale (at the time), Carl Karcher of Carl's Jr., Robert Barney of Wendy's, Jack Laughery of Hardee's and Joe Lee of Red Lobster, last year's winner.

Both the Golden Chain and Operator of the Year Awards will be presented at a gala banquet during NRN's Multi-Unit Food Service Operators Leadership Conference in Los Angeles Sept. 30 to Oct. 3 at the Century Plaza Hotel.

More than 1,000 foodservice executives and suppliers are expected to attend this year's three-day whirl of seminars, presentations and discussions. For more information on the conference, contact NRN MUFSO coordinator Coleen Harte (212) 371-9400, Ext. 319 or 498.

(See MUFSO, page 68)

School food directors rally against budget cuts

by Carolyn Walkup

NEW ORLEANS — An optimistic resolve to win the fight to improve school lunch and breakfast programs at a time of federal budget cutting and taxpayer resistance permeated the 44th annual national conference of the American School Food Service Association at the New Orleans Convention Center.

"This is the start of a political struggle for school lunch. You must have a presence in Washington that makes sense so that legislators know they are accountable," advised keynote speaker John Robert Kramer. Kramer, now dean of the Tulane School of Law, was a pioneer in the movement to eradicate hunger in the United States and drafted most food-stamp legislation from 1968 to 1981 when he was executive director of the National Council on Hunger and Malnutrition.

The cost of bailing out the savings and loan industry could pay for 100 years of child nutrition programs, Kramer said. He warned the audience to watch Congress closely because of the dangers that further budget cuts in school food-

(See SCHOOL, page 68)

School lunches caught in deficit downdraft
Rick Telberg/Page 35

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Profit margins: Cut costs or boost service?
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Subscription rate: Food-service operators and wholesalers/distributors, one year $34.50; 2 years $55.00; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 30 July 30, 1990

NEWS BRIEFS

Fear of frying: Hamburger giants adopt veggie oil

MIAMI — In rapid-fire succession, Burger King and McDonald's have pledged to adopt pure vegetable oil as the deep-frying medium for their french fries.

The two burger giants have used a mixture of animal fats and vegetable oils, which yields foods richer in cholesterol than ones fried in a pure vegetable medium. The chains disclosed their changeover plans within days of one another and less than a week before Wendy's was slated to announce its switch to a cholesterol-free medium. Burger King won the three-way race by a margin of six days.

The once-standard practice of cooking french fries in a blend of animal and vegetable fats has been attacked by consumer advocates and customers seeking to lessen their intake of cholesterol.

Hardee's, the nation's third largest burger chain, switched to vegetable oil more than two years ago and Carl's Jr. changed over last year.

Calif. lawmakers shelve proposal to lower business meal reduction

SACRAMENTO, Calif. — A proposal to lower California's tax deduction for business meals from 80 percent to 70 percent was shelved by lawmakers caught up in a bitter partisan battle to narrow the state's $3.5 billion budget deficit.

"We told them [lawmakers] that if they continue to attack our business, their tax revenues will decline, not increase," California Restaurant Association lobbyist Jo-Linda Thompson said after a joint committee of the Senate and Assembly killed the deduction-reduction measure. She said it was unlikely that the proposal would find its way back into the budget before its adoption. But, noting that the state's finances are in bad shape, she added that "anything is possible."

The Assembly, which is controlled by Democrats who wanted the Republican governor and Senate majority to approve new taxes to balance the budget, included the proposal to reduce the meal deduction in a draft budget it sent to the Senate. Supporters of lessening the percentage of business meal expenditures companies could deduct from taxes said the 10-percent reduction would raise an additional $90 million in taxes.

DC enacts family leave legislation

WASHINGTON — The District of Columbia has passed legislation that requires large businesses to grant employees as much as 12 weeks of unpaid leave to care for a newborn or an ill family member.

The law regards longtime live-in lovers, including homosexual partners, as family members.

Staffers would be guaranteed their old job or a comparable position upon returning from their furlough. In addition, health benefits would be maintained at the employer's expense during a worker's departure.

The legislation is similar to the federal family leave bill recently vetoed by President Bush. However, that proposal did not extend the leave rights to partners in "committed relationships," as the District bill does.

The local proposal has not yet been approved by Congress, as is required by District statutes.

Hartzog dies; fast food pioneer

ATLANTA — L.S. Hartzog, a pioneer of fast food as an early franchisee of Kentucky Fried Chicken and Wendy's, died at age 83.

Starting as a biscuit supplier in Selma, Ala., Hartzog became a KFC franchisee, eventually opening 35 outlets and later signing on as Wendy's first franchisee, opening 84 units.

"L.S. played a major role in establishing Wendy's credibility," Wendy's founder and chairman, R. David Thomas, said in tribute, "when others were saying that the market was already saturated."

Hartzog also launched the Granny's Fried Chicken chain, which eventually became Mrs. Winner's, and had affiliations with Po Folks family restaurants, Hartz Fried Chicken and an airplane dealership.

Survivors include a wife and a son. The family requested memorials be sent to the American Cancer Society.

City council eyes mandated health for Washington

WASHINGTON — The city council is airing a proposal that would obligate businesses to provide employees with health insurance.

The initiative has just been submitted for public comment. It is certain to draw sharp criticism from the foodservice trade, which has argued that it cannot afford the high costs of insuring every staffer. The industry points out that the restaurant business is highly labor intensive, with even small places employing a relatively large number of persons.

Universal health proposals are also circulating in California and a number of other states. Massachusetts has enacted a modified version that requires employers to either provide health care or subsidize state coverage.

Culinary Team USA names pastry chef at ACF convention

NEW ORLEANS — Martha Crawford, the pastry chef who won the highest hot and cold plate scores in regional tryouts this spring, has been named national pastry chef for 1992 Culinary Team USA.

Crawford, assistant pastry chef at Exton, Pa.-based Desserts International, was named the Culinary Olympics team's pastry chef at the American Culinary Federation's 61st annual convention here. About 1,700 delegates from 217 chapters gathered for the meeting.

Scott Hunter, executive pastry chef at The Registry in Scottsdale, Ariz., outscored eight other competitors to be named pastry chef for the U.S. team's Western regional squad. Hunter's appointment leaves just two pastry chef spots unfilled, on the Northeast and Midwest regional teams.

Menu inflation holds steady at 5% in June

WASHINGTON — Menu prices charted a 5-percent year-to-year gain in June, unchanged from April and May, the U.S. Labor Department said in its latest inflation report.

Analysts said the flat inflation rate signaled operators' difficulty in raising prices at a time of softening sales.

Sales growth at the nation's eating and drinking places slowed to a year-to-year unadjusted rate of 3.4 percent in June, down from 4.8 percent in May, an earlier Commerce Department report showed.

When June's 3.4 percent sales gain is discounted by the month's 5-percent price increase, then restaurant traffic apparently slumped 1.6 percent in June from the year-ago month, a heavier dip than the 0.2 percent decline in May.

The Labor Department also said in its monthly inflation report that the overall Consumer Price Index scored a 5.9 percent year-to-year advance in June, fed by a combination of rising food, medical and energy costs.

Supermarket prices, the department said, jumped sharply to a 6 percent year-to-year rate, up from May's 5.2 percent pace but slower than April's 6.2 percent.

Nestlé hangs 'For Sale' sign on restaurants

SOLON, Ohio — Swiss food giant Nestlé S.A. said it plans to sell its 65-unit U.S. restaurant division, which operates such posh restaurants as New York's Top of the Sixes and such dinner-house chains as J.B. Winberie, Rusty Scupper and Cheese Cellar.

The Swiss conglomerate said it plans to divest the 66-year-old Stouffer Restaurant Co. to focus on such other food operations as Stouffer Hotel Co. and L.J. Minor Corp., a foodservice supplier.

Nestlé said its decision is part of an "extensive" re-evaluation of its U.S. business plan.

FINANCIAL NEWS

Strong stock market prompts O'Charley's to go public

by Milford Prewitt

NASHVILLE, Tenn. — Confident that management has perfected its concept and excited by a roaring stock market, O'Charley's Inc. launched an initial public offering of $2.5 million shares at about $9 a share.

The offering is expected to raise about $22.5 million.

After underwriting fees, commissions and related expenses are taken care of, the net proceeds are expected to be $15 million, with which the company plans to substantially reduce debt and ignite an expansion drive.

The company's stock will be traded on NASDAQ, the over-the-counter exchange, and identified by the symbol CHUX.

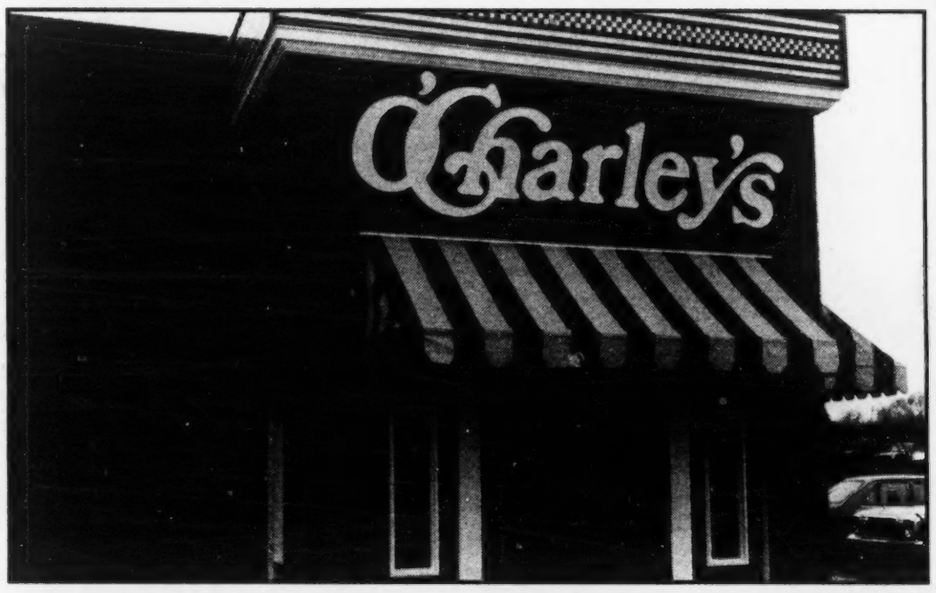
O'Charley's, a 21-year-old concept whose president and chief executive officer is restaurant entrepreneur and former Shoney's chief executive Dave Wachtel, competes in the casual-themed dinnerhouse segment with 20 company units and eight franchised operations. The entire chain is concentrated in the South, primarily in five Southeastern states.

Wachtel said the resurgence of the stock market and management's belief that the O'Charley's concept is a strong competitor in a non-glutted segment prompted the move to go public.

"The market is at 3000 [the Dow Jones Industrial Average]," Wachtel said. "It's a strong market, and it's a good timing for us."

According to the financial summary included in registration documents with the Securities and Exchange Commission, O'Charley's has been making money and expanding ever since Wachtel bought the two-unit company in 1985 for $3 million.

O'Charley's revenues have grown seven times since 1985, from $4.8 million to a fiscal 1989 year-end of $36.1 million. For the 16 weeks ended April 22, revenues increased 27 percent, to $10.7 million, with net earnings up 35 percent, to $226,000.



NRN Photo

An O'Charley's unit in Nashville, Tenn.

The most recent quarterly earnings follow the upswing of the past five years.

For the fiscal year ended December, O'Charley's net income increased 12 percent, to $953,000. Although profits decreased 36 percent in 1988, the company has not had a losing year since Wachtel took over.

The company's current capitalization is also healthy, based on the filing documents. Total assets as of April 1990 were in excess of $19.9 million with total long-term debt, including leases, amounting to $9.9 million, for a rough ratio of 2-to-1.

Part of the proceeds of the IPO, about $8.7 million, will be used to pare down bank loans and revolving credit debts. Another $2 million will go toward paying the debts of SRM, a four-unit franchise operation, 80 percent of which Wachtel owns and which O'Charley's purchased.

Since 1985, O'Charley's has been growing at the rate of about four new restaurants a year. Wachtel said the company will open two stores before the year is out and another five during 1991.

He said O'Charley's prefers to expand through company units rather than by recruiting franchisees.

The typical investment cost for opening a new O'Charley's ranges from $1.2 to $1.6 million, the filing document reported.

Per-unit sales have increased since 1985, but the average unit growth rates have been softening. In 1986 a typical O'Charley's generated $1.5 million in annual volume, 26 percent less than the $1.9 million for the fiscal year ended 1989. But between 1986 and 1989, average unit volume has increased only 4.4 percent. For the quarter ended April 16, per- unit sales increased a scant three-tenths of a percent, to $609,000.

Although company restaurants are in markets with aggressive segment leaders like T.G.I. Fridays, Houlihan's, Bennigan's, The Olive Garden and others, Wachtel is anything but worried.

"The only thing the competition can do for me is not block my driveway," he said.

FOOD PRICE OUTLOOK

Rains may boost canned, frozen prices

by Patt Patterson

Last year everyone worried about the drought. This year it's the deluge.

Rains have been continuously hitting Wisconsin, Minnesota, Michigan, Illinois and Indiana, prime growing areas for a good part of our canned and frozen vegetables.

Growers of **peas, corn** and **green beans** have all been suffering from late planting, washed-out crops and a late harvest, which in some cases may expose the crop to frost loss.

Expect packs to come in well below forecasts, with resulting higher prices from the fall through next year.

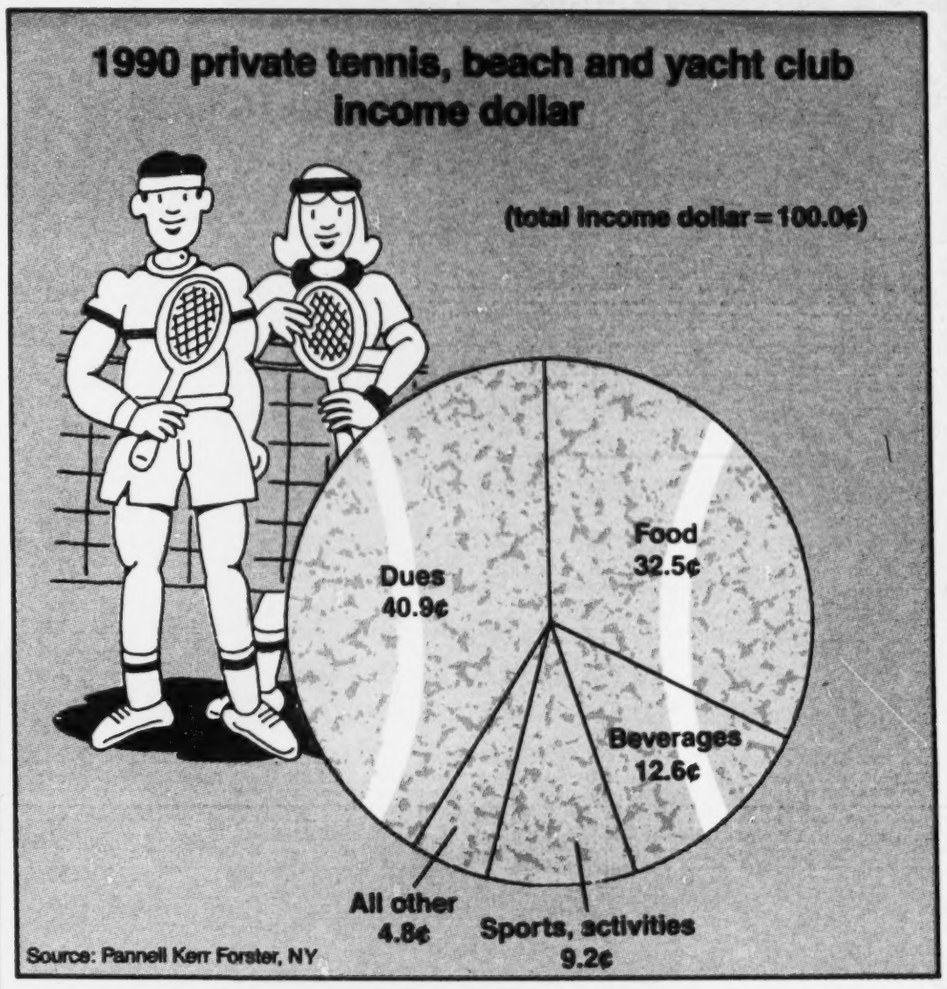
After a hike in prices from mid-June through mid-July, **iceberg lettuce** has again dropped below most growers' costs of production. This is a bargain for operators but may bode ill for available supplies in the future. For a while California's central coast growing area had the market almost all to itself, but now Colorado and New York are in full production and buyers have a greater choice of supply. Look for lower prices to continue unless some disaster in the fields occurs.

California's **frozen broccoli** and **spinach** packs are up, with prices easing for broccoli. Those for spinach, however, are holding fast, because mildew curtailed the leaf pack, with all of the gain in cut and chopped packs.

Cauliflower processing has started only recently, with no early indication of what pricing was going to be on the new pack.

California **asparagus** came in under the forecast, but a big carryover from last year means supplies should be more than sufficient to hold prices at present levels.

FACT FILE



FINANCIAL DIGEST

Frisch's shuts 20 units; profits gain

CINCINNATI — The closing of 20 units reduced Frisch's Restaurant's third-quarter sales 2 percent, to $31.3 million, but net income climbed 37 percent, to $215,878, for the period ended March 4.

For the 40-week period, sales declined 3 percent, to $110 million, but net income rose 16 percent, to $1.8 million.

The company attributed the sales decline to the shuttered units and credited improved same-store sales activity for its strong profit growth. Frisch asserted that net earnings for the first three quarters outpaced the results for the year-ago period because losses from the closed restaurants no longer had a negative impact on operations.

Moreover, the company said net income was boosted by investment income derived from its limited partnership interest in the Cincinnati Reds.

Frisch's is a diversified restaurant company with 101 Big Boy Restaurants, 12 Roy Rogers, three Prime 'n Wine units and two Quality Hotels.

Mild weather boosts Consolidated

INDIANAPOLIS — Consolidated Products said mild winter weather during the second quarter was responsible for a 24-percent gain in net income, to $945,360, on a 6-percent jump in sales, to $30.4 million, for the period ended April 11.

For the 28 weeks during the period, sales rose 7 percent, to $54.3 million, with net earnings up to $2.2 million, a 17-percent increase.

During the quarter the company named Stephen M. Huse, founder of Noble Roman's restaurants, vice chairman. He will succeed James Williamson Jr., president and chief executive officer, upon his early retirement next month.

Consolidated Products operates 127 of the 140 units in the Steak 'n' Shake Restaurant chain in addition to several specialty or one-of-a-kind restaurants and smaller chains.

ViCorp's 2nd-Q net jumps 96%

DENVER — ViCorp Restaurants Inc. reported a 96-percent gain in net income, to $4.3 million, on a 12-percent rise in revenues, to $93.6 million, largely as the result of improved same-store sales averages, for the second quarter ended May 13.

For the first 28 weeks of Vicorp's fiscal year, net income rose 88 percent, to $7.7 million, and sales jumped 11 percent, to $209.5 million.

ViCorp benefited from a 6.2-percent gain in comparable restaurant sales and the revenue contribution from seven new restaurants, which enjoyed higher-than-expected sales increases.

The company attributed much of the same-store sales improvements and higher traffic counts to menu modifications that led to per-person ticket averages higher than those of a year ago.

However, Charles R. Frederickson, chairman and chief executive officer, said that although the second quarter was ViCorp's 13th consecutive improvement in operating profit, subsequent periods might not be so impressive.

"Maintaining this pace will become more difficult as we begin comparisons with the strong operating performance of recent quarters," he said.

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Vol. 24, No. 31 Published every Monday by Lebhar-Friedman Inc., $25 for Top 100 Issue August 6, 1990

Value fuels Top 100 boom

Price busters, ethnic foods, dinner houses soar amidst per-unit sales slowdown

by Richard Martin

America's hearty appetite for value, variety and ethnic flavors has ignited a binge of growth for responsive players among the industry's 100 leading cash generators, according to the 1990 Nation's Restaurant News Top 100 report.

However, the study also spots symptoms of economic malaise — including slumping per-unit sales and dipping rates of chain expansion — at a majority of the industry's front-runners.

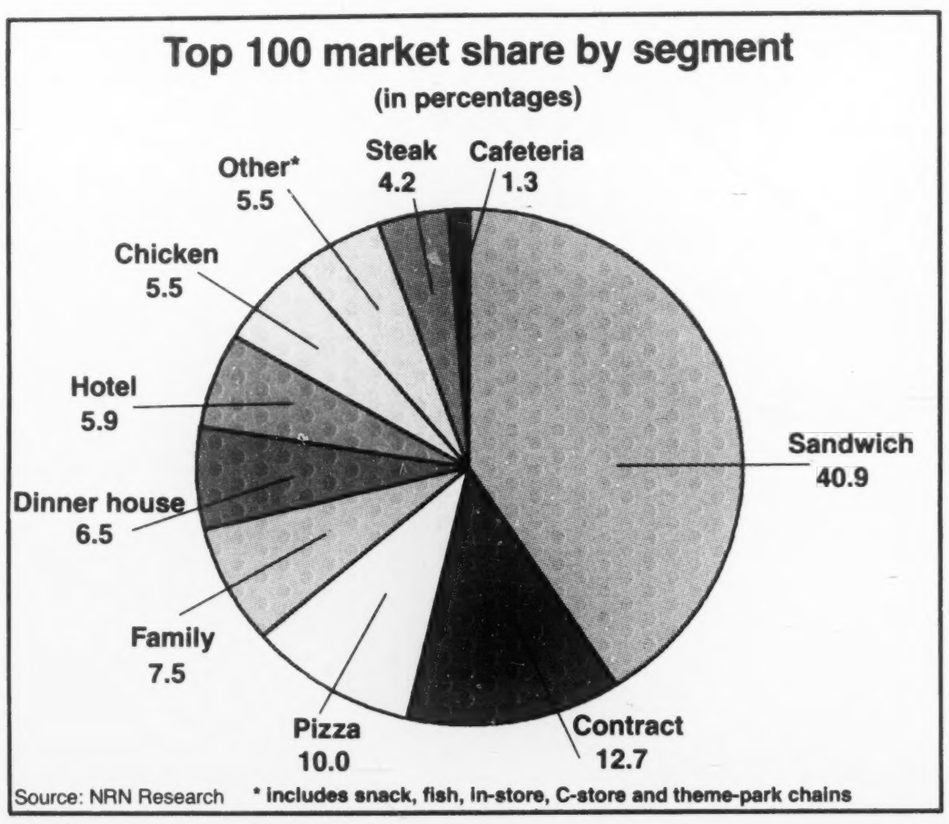
Even long-standing role models like McDonald's, Red Lobster, Chili's and Sizzler are trending sharply downward in certain key indicators of growth momentum, the report indicates.

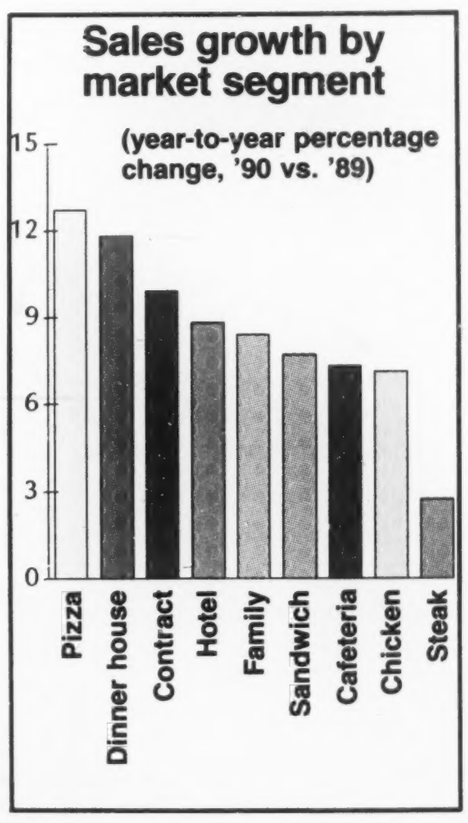
But torrid growth rates at price-buster Taco Bell and at the Rally's 99-cent burger drive-thrus have put those chains among the Top 100's front-line pacesetters. And the non-burger alternatives of sandwich-maker Subway and "adult" fast feeder Jack in the Box have helped boost those chains into fast-track slots as growth leaders.

NRN's Top 100 report, which ranks leading chains by a variety of criteria, also shows the rapidly expanding Italian dinner-house operator Olive Garden and the booming Little Caesars Pizza chain helping to propel their respective Top 100 market segments into dominant growth rankings.

Despite below-par growth in several Top 100 markets — including budget-steak, chicken and cafeteria — the 100 highest-grossing chains in

(See TOP 100, page 4)





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McD bruised by upstarts in sandwich market war

by Richard Martin

Tweaked by vigorous upstarts like Jack in the Box, Subway and Rally's and bludgeoned by red-hot Taco Bell and its 59-cent menu, the industry's leading burger chains are feverishly discounting and diversifying to bandage their bruised market shares.

Faced with slower domestic expansion rates, McDonald's and other sluggish biggies in the field are repositioning their food lineups, massaging their price points and re-examining service modes to combat the defection of customers to attractive — often lower-priced — rivals in the Top 100's sandwich segment.

However, the entrenched burger chains seem distracted by two contrasting imperatives — the impulse to selectively cut prices and sacrifice margins for short-term traffic gains and the longer-range

(See SANDWICH, page 94)

SANDWICH CHAINS RANKED BY TOP 100 MARKET SHARE

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Annual Market Share Current	Last Full	Prior
1	1	McDonald's	Dec. '90	35.80%	36.10%	36.84%
2	2	Burger King	Sept. '90	15.90	17.13	17.48
3	3	Hardee's	Dec. '90	9.05	8.96	9.14
4	4	Wendy's	Dec. '90	8.56	8.50	8.81
5	5	Taco Bell	Dec. '90	7.25	6.01	5.18
6	6	Dairy Queen	Nov. '90	5.52	5.82	5.95
7	7	Arby's	Dec. '90	3.58	3.66	3.56
8	9	Subway	Dec. '90	3.12	2.35	1.60
9	8	Jack in the Box	Sept. '90	2.60	2.51	2.51
10	11	Carl's Jr.	Jan. '91	1.67	1.65	1.56
11	10	Roy Rogers	Dec. '90	1.39	1.76	1.83
12	12	Sonic Drive-in	Aug. '90	1.14	1.17	1.12
13	13	Rax	July '91	0.95	0.99	1.06
14	14	Whataburger	Sept. '90	0.89	0.90	0.88
15	15	White Castle	Dec. '90	0.83	0.84	0.92
16	18	Rally's	June '91	0.59	0.47	0.33
17	16	Del Taco	Dec. '90	0.59	0.62	0.65
18	17	Krystal	Dec. '90	0.57	0.57	0.58

Source: NRN Research.

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NRN DIRECTORY

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 31 August 6, 1990

NEWS BRIEFS

Congress passes bill limiting TV ads for kids

WASHINGTON — Both the House and the Senate have approved a bill that would limit advertisements on children's television and would require the Federal Communications Commission to ensure that broadcasters provide educational programming for children.

The Bill, titled the "Children's Television Act," would curtail advertising to 12 and one-half minutes per hour of broadcasting on weekdays and 10 and one-half minutes per hour on weekends.

McDonald's, Burger King and Pizza Hut are among the foodservice chains that buy network time during children's shows.

Ariz. operators fight packaging ban with education

TUCSON, Ariz. — Restaurateurs here in Pima County are waging an educational campaign to defuse support for a ban of polystyrene food containers.

County supervisor Ed Moore suggested the ban but backed away from his proposal after the foodservice operators commenced their drive. However, the idea caught the attention of Pima's board of supervisors.

"They're going to look into it and see what other areas have done," said Zenda Treaster, proprietor of Eegee's, a quick-service outlet that specializes in frozen drinks. "The problem is that the public has been misinformed."

The anti-ban group has placed a full-page newspaper advertisement explaining that polystyrene is a very small component of the nation's solid-waste output.

TW Holdings loses $12.7 million in 2nd quarter

SPARTANBURG, S.C. — Charges and interest payments related to the acquisition of TW Services led to a $12.7 million second-quarter loss for TW Holdings despite double-digit increases in operating income by the company's restaurant group and contract feeding arm.

For the period ended June 30, the diverse foodservice conglomerate reported an 8-percent increase in revenues, to $942.3 million. A year ago the company reported net income of $20.8 million.

TW Holding's restaurant group — which includes Denny's, El Pollo Loco, Quincy's and franchised Hardee's outlets — posted a 15-percent increase in combined income to $65.9 million, on a 12-percent hike in revenues, to $595.6 million.

Revenues at Canteen, the contract feeder that has been battered lately by declining business from military accounts, rose just 1 percent, to $346.7 million, but a corporate streamlining program boosted income 32 percent, to $16.4 million.

For the six months of its fiscal year, TW Holdings lost $58.8 million on a 7-percent gain in revenues, to $1.8 billion.

Karcher shakes up marketing

ANAHEIM, Calif. — Carl Karcher Enterprises Inc., operator and franchisor of the 542-unit Carl's Jr. chain, has restructured its marketing department and indefinitely postponed its ongoing advertising agency review.

Bob Wisely, the group vice president of marketing, has resigned, reportedly to pursue other interests. Patricia Rowell, marketing services vice president, has also left the company, which said that the position had been eliminated. Both Wisely and Rowell had been with the company since 1985.

A spokeswoman for the chain said the company is currently searching for a vice president of marketing, a position that didn't exist under the old organizational format.

Ray Perry, executive vice president of Carl's Jr., will assume the duties of marketing vice president on an interim basis.

The departure of Wisely and Howell pushed back the agency review of the company's $20 million ad account. Della Femina McNamee, Los Angeles, the incumbent agency for Carl's Jr., will continue to oversee the account.

Wendy's buys 27-unit franchisee in New Orleans

NEW ORLEANS — Wendy's International Inc. has purchased 27-unit Wendy's of New Orleans Inc. from Keystone Convenience Co. for an undisclosed sum.

The restaurants, battered by financial and operational troubles, are located in New Orleans, St. Tammany, St. Bernard, Jefferson and St. John the Baptist parishes. Wendy's will own the restaurants through Chan Development Inc., a subsidiary, and plans to retain the group's 450 employees.

Olive Garden unit prohibits smoking

WINTER PARK, Fla. — The Olive Garden, a 210-unit casual dinner-house chain, has created its first totally non-smoking restaurant in this north Orlando suburb.

Not envisioned as the start of a nationwide rollout, the move is prompted mainly by the unit's small size, 4,800 square feet, compared with other Olive Gardens. But local patron demand is also playing a roll, the company said.

"The Park Avenue restaurant is the only location that will be converted," said Bill Lombardo, sales and product development vice president. "We don't intend to change the smoking policy in any other Olive Garden," he added.

The 6-year-old restaurant has 203 seats, about a third less than newer Olive Garden units.

Industry renews FICA tax battle

WASHINGTON — Foodservice lobbyists have renewed the industry's opposition to employer-paid FICA taxes on tips.

An ad hoc group of dinner-house operators, including General Mills, Chili's and Shoney's, testified before the Social Security Subcommittee of the House Ways and Means Committee, said foodservice organizer Richard Berman.

"FICA taxes on tips are illogical, unfair and financially devastating," Rob Haimson, an independent restaurateur from Greeley, Colo., told the House panel in testimony sponsored by the National Restaurant Association.

The House hearing followed by less than a month a similar one in the Senate. But political analysts give the repeal effort little chance of victory as long as Congress and the administration remain focused on the budget crisis.

Arby's tests frozen yogurt

ATLANTA — The 2,300-unit Arby's sandwich chain has launched a 16-store test of Dannon vanilla and chocolate low-fat frozen yogurt.

Selected Arby's restaurants in Lexington, Ky., and Portland, Ore., will be offering the product in cones and in 5- and 7-ounce cups with a choice of eight toppings.

Prices will range from 99 cents to $1.39. Marketing support for the test, which is slated to run through December, includes in-store point-of-purchase materials.

ACF names Folse chef of the year

NEW ORLEANS — John Folse, who became an international celebrity when he piloted the first Soviet-American Culinary Exchange in 1988, was named the American Culinary Federation's national Chef of the Year during the group's 1990 conference here.

Folse, chef-owner of Lafitte's Landing in Donaldsonville, La., edged out two other ACF stalwarts — James Edwards, representing the ACF Kentucky Chapter, and Michael Ty of the Fraternity of Executive Chefs of the State of Nevada.

In other ACF ceremonies, Oregon chef Roland Henin, who captained the U.S. Western region culinary team in 1988, and who now coaches 1992 Culinary Team USA — was handed the first national ACF Chef Professionalism Award.

NEWS

Top 100 growth leaders cash in on value, ethnic trends

(Continued from page 1)
foodservice will bank a projected $87.7 billion in sales this year, an 8.8-percent average gain over their aggregate tally in 1989.

Those results compare with the 6.2-percent sales gain predicted by the National Restaurant Association for the entire industry, whose sales are expected to reach $240 billion this year.

Sales growth in the NRN Top 100 has actually accelerated over last year's pace, when the same 100 chains posted an 8.1-percent year-to-year gain to outdo the identical 6.2-percent industry rate measured by the association.

The Top 100 data also reveal that the industry's two highest-grossing systems — McDonald's and Burger King — have lost significant bites of their market shares over the last three years, especially to sandwich-segment upstarts featuring budget prices and menus that de-emphasize burgers.

For McDonald's, "the task of leading the parade becomes harder and harder," George Rice, chairman of GRD Enterprises and the CREST research group, says.

Although McDonald's and Burger King still dominate their field on the basis of total volume, Subway and Rally's lead the Top 100 in sales growth and chain growth.

Taco Bell and Jack in the Box top the new Top 100 sales-per-unit growth chart by a substantial margin.

Meanwhile, McDonald's, Sizzler, Red Lobster and Chili's are among the scores of chains that are tumbling on the critical scale of per-store sales gains, with Chili's restaurants — which rose 7.5 percent last year — gaining sales at a nominal 2.3-percent clip this year and McDonald's units adding transactions barely half a percentage point higher than last year's.

Subject to increasing scrutiny from Wall Street, McDonald's leaders are viewed as being under a compulsion to build restaurants and expand systemwide sales at the expense of per-unit averages. "That's part of their strategy, but they've got to be cannibalizing their own business," says Ron Paul, president of Technomic Inc., a Chicago consulting firm.

In the systemwide-sales-growth derby, Olive Garden and Little Caesars are running directly behind No. 1 Subway and No. 2 Rally's, a chain that entered the exclusive Top 100 statistical universe for the first time this year.

Rally's teamed up with Subway to nudge Olive Garden into third place in the sales-growth rankings. The two sandwich chains also eased Olive Garden into sixth place in chain growth, with help from fast-expanding TCBY frozen yogurt, Ogden Allied contracting and the Ruby Tuesday dinner-house chain, another Top 100 newcomer.

This year the ascent of Top 100 chains in the pizza and dinner-house fields has sent the growth curves of those categories soaring.

The pizza segment's seven leading chains, dominated by Pizza Hut and Domino's, are scoring a 12.7-percent average gain over their sales last year to lead all Top 100 market groups.

The dinner-house category's 13 chains, topped by Red Lobster, Olive Garden, T.G.I. Friday's and Chili's, are averaging 11.8-percent systemwide sales growth this year. The segment's rising fortunes stem from shifts by fast-food and fine-dining patrons toward moderately priced full-service alternatives, industry analysts say.

Pepsico's hybrid units offer ethnic diversity.

Despite exposing a range of positive indicators, the Top 100 study reveals vulnerability and weakness among scores of the industry's cash cows. For instance, fewer than one-third of the Top 100 chains are recording sales-per-unit growth rates that meet or exceed the industry's current 5-percent-average rate of menu-price inflation.

Thus, the operating units of more than two-thirds of the Top 100 chains may be sustaining real declines in sales after adjusting for price increases. And 12 of the 100 are suffering from flat or negative unit-sales growth rates before giving any consideration to the inflation factor.

Although a diversified company like San Diego-based Foodmaker Inc. is enjoying robust performance in both its Jack in the Box fast-food and Chi-Chi's Mexican dinner-house chains, chairman Jack Goodall still considers fallback strategies he might have to exploit if consumers were increasingly to "trade down" in their spending habits.

Pondering the potential risks of a general economic downturn, Goodall suggests that "Chi-Chi's may be more recession-proof than Jack in the Box, because in its segment Jack in the Box is a fairly high-priced player."

Concerns about market gluts and recession are never far from the minds of most chain leaders, even though optimism still pervades their outlooks.

"Although our research on market share is encouraging, we are not satisfied with the current sales situation in the U.S.," Edward Rensi, the president of McDonald's, says in a financial release covering the company's first-half results. "We are placing more emphasis on service and taking steps to enhance value for our customers."

While the leading corporate rival of McDonald's — Pepsico — is merging its trio of Top 100 chain concepts into promising hybrid-unit tests, McDonald's is attempting to broaden its burger-based market through the proposed additions of dinner items like pizza, fried chicken and pasta.

The six-month report of McDonald's, the industry's No. 2-ranked franchisor based on revenue, helps explain the dilemma confronting entrenched chains that are struggling to diversify their customer bases. Revelations emerge from comparisons of McDonald's sales against those of Pepsico, the industry's No. 1 franchisor and the owner of three of the Top 100's eight highest-grossing chains — Taco Bell, Pizza Hut and Kentucky Fried Chicken.

Corporate revenue from Pepsico's restaurant group, which posted its six-month results just as those of McDonald's appeared, grew at a rate more than twice as fast as the revenue of McDonald's.

On the Top 100's ranking of companies by year-to-year growth in foodservice revenue, Pepsico placed 14th, with an 18.6-percent jump, while McDonald's ranked 78th, growing 3.2 percent.

Increasing dependence on international expansion for sustained growth is another trend followed by those companies and a host of others facing domestic prime-site scarcity. In addition to slow domestic expansion, McDonald's is bogged down by higher prices than those of several of its hottest competitors and by its slower response to customers' broadened tastes, analysts say.

Conversely, those analysts suggest, Pepsico exemplifies the virtues of multisegment diversification, ethnic appeal and heightened sensitivity to service and price-value concerns. Pepsico's restaurants have "lowered their prices and created more 'customer-intensive' stores," Michael Mueller, an analyst at San Francisco-based Montgomery Securities, says.

Industry faces nutrition crisis

(Continued from page 3)
"It's a real step forward," said Michael Jacobson, executive director of Center for Science in the Public Interest, a consumer advocacy group based in Washington. "When we first started campaigning in a big way five or six years ago, nutrition was not a big issue to most of these big companies. Now fast-food chains are obviously concerned. They're realizing that it's good for them, and it's good for the public."

"I really think the consumer is the winner here," said Neva Cochran, a registered dietitian and representative for the American Dietetic Association in Chicago. "It's a step in the right direction because any change they make to lower cholesterol is going to benefit their customers."

Sokolof and other groups like the CSPI had been pressuring fast-food companies to refine their ingredients for years. In response to a limited degree, the hamburger chains often pointed to their addition of chicken sandwiches over the past few years as some of the steps they were taking to cater to a more nutritionally aware consumer.

But McDonald's president, Ed Rensi, downplayed the impact of activists like Sokolof. Rensi insisted that the company's switch was prompted by nearly eight years of research and customer input.

Asked by an interviewer what effect Sokolof and others had on McDonald's decision, Rensi said, "Absolutely none." When pressed, he said "very little to none."

In the end, McDonald's adopted a cottonseed and corn oil mixture; Burger King went with cottonseed and soy; and Wendy's chose all corn. Hardee's, which switched two years ago, uses a combination of peanut and soy oils.

Burger King spokesman Michael Evans said the company had been looking for an alternative frying oil to beef tallow for years. He said everything except french fries had been cooked in vegetable-based oils since 1986 while the company continued to search for an oil that would maintain the flavor of the fries and yet cater to the nutritional awareness of its customers.

Denny Lynch, Wendy's spokesman, said the company would have switched earlier had it found a vegetable oil that could have maintained the taste and appearance of its products. But while it searched, Wendy's relied on a product that was a combination of beef tallow and vegetable.

In a real sense, Wendy's, McDonald's and Burger King are following Hardee's lead.

Jerry Singer, a spokesman for Hardee's, said, "We just thought it was the right thing to do, and now it looks like the other chains are following our success."

Singer said the company's fried-food sales increased 25 percent after adding the product, though the oil also cost about 30 percent more than animal-based frying oils.

He said the move to switch oils came after customers expressed satisfaction with the chain's chicken fingers — fried in vegetable oil — and asked the company to consider preparing other menu items in the lighter oil.

Some industry observers and some quarters of Wall Street said the switch was a predictable move, whose one side benefit may actually be improved traffic counts.

"This was probably inevitable," said Nancy Kruse, a principal associate at Technomic Inc., a foodservice research group in Chicago, "given that fast food has been perceived as being quote, unquote unhealthy."

"This is somewhat overdue," said Roger Lipton, an analyst with Ladenburg, Thalmann. "It might even help to bring traffic back to chains like McDonald's."

"But I think it was impossible for responsible management to continue to ignore the consumers long-term interest in eating healthier foods."

Other analysts think the oil change will have little impact on what has been sluggish same-store sales growth in the hamburger segment, particularly at McDonald's.

"An event like this won't change much," said Joseph Doyle, an analyst with Smith Barney. "McDonald's has a lot of background problems, and one of them is the perception, rightly or wrongly, that fast food is not nutritional."

And Leslie Steppel, a Prudential Bache analyst who downgraded McDonald's stock from hold to sell, said, "Given the problems McDonald's has, I think they are going to have to do a lot more than just change their oil."

CORRECTION

"Cornell names hotel school dean," June 18, Page 7, incorrectly said that the new dean of the Cornell University School of Hotel Administration was chosen from a field of three finalists, none of whom was affiliated with the hospitality industry.

In fact, one finalist was a senior hotel executive,and several Cornell faculty members were approached for the position but declined to be considered.

In addition, the story incorrectly reported the deanship's salary as about $75,000. In fact, it is higher than that.

FINANCIAL NEWS

A tale of 2 earnings reports: Pepsico gains, McD's sags

by Milford Prewitt

OAK BROOK, Ill. — The near-simultaneous release of financial reports from restaurant giants McDonald's and Pepsico offers a stark contrast in the expanding fortunes of one and the flattening rate of growth from the other.

Pepsico's restaurant group's sales grew more than twice as fast as McDonald's during the first six months, and Pepsico's rate of profit growth was more than three times higher than McDonald's.

McDonald's sluggish second-quarter prompted one analyst to downgrade the company's stock from a hold to sell, a rare recommendation for the industry's premiere blue chip.

Leslie Steppel of Prudential-Bache said McDonald's appears to be "pricing itself out of the market" and seems incapable of reversing its chronic same-store-sales decline in a segment rife with discounting.

But Roger Lipton of Ladenberg, Thalmann argued that McDonald's may reverse its misfortunes.

"Nobody buys stock or makes investments based on a single quarter's performance," Lipton said. "I think there has been an overreaction."

"McDonald's is still a state-of-the-art stock and one of the greatest companies the planet has ever seen. It's a long-term buy," Lipton said.

Joseph Doyle of Smith Barney, meanwhile, said he is neutral about the stock.

"I was surprised that so many analysts were surprised by the second quarter," Doyle said. "Still we're neutral on it until there's some earnings improvement."

For the second quarter ended June 16, Pepsico restaurants — Taco Bell, Kentucky Fried Chicken and Pizza Hut — increased operating profits 35 percent, to $137.6 million, on a 22-percent gain in revenues, to $1.4 billion.

McDonald's reported a 10-percent gain in net income, to $215.8 million, on a 10-percent rise in sales, to $1.7 billion, for the June-ended second quarter.

> Overseas, McDonald's is growing faster than Pepsico.

Pepsico, for the six-month period, boosted restaurant sales 22 percent, to $2.7 billion, with net income climbing 36 percent, to $228.6 million.

For McDonald's six months net income grew 11 percent, to $373.9 million, on revenues of $3.2 billion, a 10-percent gain.

Overseas, McDonald's is growing faster than Pepsico. The hamburger giant's foreign sales rose 26 percent, to $1 billion, in contrast to Pepsico's 22-percent increase, to $295 million.

But Pepsico's operating profit from its overseas operations was up 47 percent, to $34.9 million, during the six months. McDonald's does not detail net income from foreign operations.

Though McDonald's chairman and chief executive officer, Michael R. Quinlan, and president, Edward H. Rensi, expressed disappointment about the company's softening domestic sales trends, they pointed out that the chain continues to add units faster overseas than domestically.

"Our growth strategy continues to focus on adding restaurants, building sales at existing restaurants and improving international profitability," Quinlan said in a statement. "Despite a weakening economy and a slowdown in U.S. retail spending."

"Although our research on market share is encouraging, we are not satisfied with the current sales situation in the U.S.," Rensi added. "So we are placing more emphasis on service and taking steps to enhance value for our customers."

McDonald's has already started promoting $1.99 Happy Meals.

The company actually operated 26 fewer restaurants domestically than it did a year ago, 1 percent less, down to 1,711 outlets. Domestic franchisees increased their stores by six, to 6,136. When affiliates are added, the chain grew 4 percent, to 8,362 domestic units.

Outside the United States, the chain grew 10 percent in size, adding 275 restaurants in foreign markets for a total unit count of 11,343 by June 30.

McDonald's systemwide sales were up 7 percent, to $4.5 billion, for the quarter and $8.9 billion at midyear, an 8-percent gain.

For Pepsico, meanwhile, the continued resurgence of KFC was a bright spot.

During the quarter KFC's sales increased 10 percent, to $358 million, while operating profit doubled to $36 million. For the six months, KFC's sales jumped 17 percent, to $680.7 million, with a 70-percent gain in profit, to $59.5 million.

However, much of KFC's gain in operating profit was artificially inflated by the payout of an $8 million reorganization charge the company took last year to cover a wave of layoffs and regional office consolidations.

Pepsico attributed the continued success of the Hot Wings program for much of the increase in traffic at KFC.

Pizza Hut, still the leading pizza chain, racked up a 25-percent gain in both second-quarter sales and profit. Operating profit was $64.8 million on revenue of $676.2. For the six months operating profit was up 30 percent, to $115.9 million, on a 24-percent increase in sales, to $1.3 billion.

FOOD PRICE OUTLOOK

Shrimp imports from China increase

by Patt Patterson

Chinese white shrimp imports through the first four months of this year were up about 70 percent from 1989. Prices have been lower as a result, but increased demand this summer is exerting upward pressure. Domestic **brown shrimp** from the Gulf of Mexico are also in good supply, with prices lower than last year's.

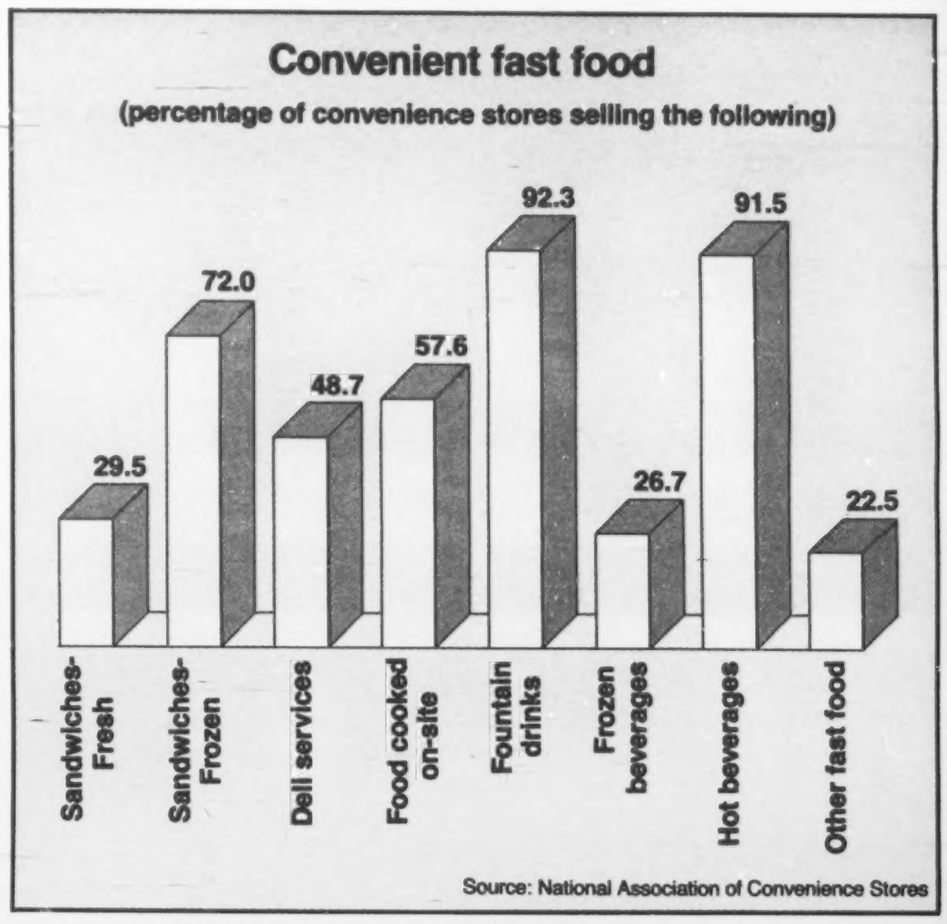
Canned shrimp demand is dropping at the same time supplies are tightening. There's only one domestic plant canning **Gulf shrimp** this year. Strong European demand has been diverting supplies from Asia. One Thailand canner is reportedly allocating supplies.

Pork prices may come down as more farmers are bringing hogs to market during the hot weather in mid-July. If that continues, prices may dip for a while, but there is a smaller number of hogs on farms, so expect a squeeze before fall.

Hot weather is beginning to worry Southern **poultry** producers. Prolonged high temperatures cause losses, especially among younger chickens. And prolonged heat will mean higher prices. **Egg** prices have been fairly stable, but hot weather plays havoc with egg production, too. Prices have been running at about last year's level at this time, with some increase.

Two of the main feeds for **cattle** and **hogs** are moving up in price because of smaller crop forecasts. Both **soybeans** and **corn** are expected to run behind last year, with prices as much as 20 percent higher.

FACT FILE



FINANCIAL DIGEST

Papa Gino's lays off 25 workers

DEDHAM, Mass. — In a move that reflects the recession gripping New England and the competitive pressures from invading national pizza chains, Papa Gino's, a 218-unit regional pizza chain, has laid off employees for the first time in the company's 27-year history.

Twenty-five workers were axed, plans to open new stores have been shelved, and the launch to home delivery from existing units has been postponed as a result of flattening to declining sales trends, the company disclosed.

In addition, 20 headquarters employees will be assigned to restaurants, but it is unlikely if the 25 workers let go will be called back.

The company is projecting sales of about $136 million this year, about 1 percent better than the 1989 figure. Papa Gino's had been opening about 18 stores a year since 1983.

Ark Restaurants' net income jumps 57%

NEW YORK — Higher guest counts and better-managed food costs helped Ark Restaurants carve out a 57-percent increase in net income, to $269,000, on a 29-percent increase in sales, to $12.6 million, for the third quarter ended June 30.

For the 39 weeks in the period, sales rose 28 percent, to $35.1 million, with net income more than doubling, to $836,000.

Ark is a diversified Manhattan-based operator that owns or manages 20 one-of-a-kind restaurants in New York, Boston and Washington.

Bayport settles federal class action suits

MIAMI — A federal judge has dismissed all of the class action suits brought against Bayport Restaurant Group, thus ending a series of legal actions against the company over alleged improprieties in the sale and trading of the company's stock.

The settlement relieves Bayport of any monetary penalties.

Meanwhile, Bayport has begun preliminary negotiations with several unidentified parties to invest in the company — possibly to acquire it — in order to finance an expansion bid.

Bayport, previously known as Captain Crab Inc., owns and operates CrabHouse Seafood restaurants and Captain Crab's Take-Away restaurants in Florida and Georgia.

Cucos posts 10% 2nd-Q net income gain

NEW ORLEANS — Cucos Inc. credited increased guest counts, a new restaurant and improved same-store sales averages for a 7-percent jump in revenues, to $3.1 million, with a net income gain of 10 percent, to $30,219, for the third quarter ended April 8.

Average guest counts for the quarter jumped about 1 percent, but same-store sales rose 4.5 percent.

Cucos operates 10 of 30 Sonoran-style Mexican restaurants.

Cooker net jumps 31% on chain expansion

COLUMBUS, Ohio — For the quarter ended April 1, Cooker Restaurants' first-quarter net income jumped 31 percent, to $412,802, on a 29-percent gain in revenues, to $8.1 million, principally as a result of having two new restaurants.

DIRECTORY OF TOP 100 CHAINS

(Listed alphabetically)

Chain	Segment	Parent Company	Chain Headquarters	1990 Rankings: System-wide Sales	Sales per Unit	No. of Units
ARA Services/ARASERVE	Contract	ARA Services Inc.	Philadelphia, Pa.	13	81	13
Arby's	Sandwich	DWG Corp.	Atlanta, Ga.	17	73	14
Bakers Square	Family	Vicorp Inc.	Chicago, Ill.	79	35	76
Baskin-Robbins	Snack	Allied-Lyons PLC	Glendale, Calif.	40	98	15
Bennigan's	Dinner House	S&A Restaurant Corp.	Dallas, Texas	45	28	70
Big Boy	Family	Elias Bros. Restaurants Inc.	Warren, Mich.	20	54	26
Bob Evans Farms	Family	Bob Evans Farms Inc.*	Columbus, Ohio	57	40	62
Bonanza	Steak	Metromedia Co.	Dallas, Texas	39	53	43
Burger King	Sandwich	Grand Metropolitan PLC	Miami, Fla.	2	47	5
Canteen Corp.	Contract	TW Holdings Inc.*	Chicago, Ill.	12	62	21
Captain D's Seafood	Seafood	Shoney's Inc.*	Nashville, Tenn.	50	74	36
Carl's Jr.	Sandwich	Carl Karcher Ent. Inc.*	Anaheim, Calif.	33	45	39
Chick-fil-A	Chicken	Chick-fil-A Inc.	Atlanta, Ga.	71	75	51
Chili's Grill & Bar	Dinner House	Chili's Inc.**	Dallas, Texas	43	26	65
Chi-Chi's	Dinner House	Foodmaker Inc.	Louisville, Ky.	46	20	69
Church's Fried Chicken	Chicken	Al Copeland Ent.	Jefferson, La.	37	88	25
Concession Air	Contract	Delaware North Cos.	Buffalo, N.Y.	94	8	94
Cracker Barrel	Family	Cracker Barrel Old Country Store Inc.*	Lebanon, Tenn.	77	17	8
Dairy Queen	Sandwich	American Dairy Queen Corp.	Minneapolis, Minn.	10	91	8
Daka	Contract	Daka Int'l Inc.*	Wakefield, Mass.	90	83	52
Del Taco	Sandwich	Del Taco Inc.	Costa Mesa, Calif.	97	84	55
Denny's	Family	TW Holdings Inc.*	Irvine, Calif.	14	44	24
Disney theme parks and hotels	Theme park	Walt Disney Co.*	Burbank, Calif.	32	1	100
Dobbs Houses	Contract	Greyhound Dial Corp.	Memphis, Tenn.	93	80	56
Dobbs International	Contract	Greyhound Dial Corp.	Memphis, Tenn.	72	7	93
Domino's Pizza	Pizza	Domino's Pizza Inc.	Ann Arbor, Mich.	7	85	4
Dunkin' Donuts	Snack	Allied-Lyons PLC	Randolph, Mass.	25	86	18
El Pollo Loco	Chicken	TW Holdings Inc.*	Irvine, Calif.	92	52	67
El Torito	Dinner House	Restaurant Ent. Group Inc.	Irvine, Calif.	86	24	87
Friendly's Restaurants	Family	Tennessee Restaurant Co.	Wilbraham, Mass.	35	69	30
Furr's Cafeterias	Cafeteria	Furr's/Bishop's Cafeterias*	Lubbock, Texas	81	30	85
Godfather's Pizza	Pizza	Godfather's Pizza Inc.	Omaha, Neb.	83	87	42
Golden Corral	Steak	Investors Mgt. Corp.	Raleigh, N.C.	49	59	48
Ground Round	Dinner House	International Proteins Corp.*	So. Weymouth, Mass.	73	37	7
Hardee's	Sandwich	Imasco Ltd.	Rocky Mount, N.C.	4	58	9
Harry M. Stevens	Contract	Harry M. Stevens Inc.	Cranbury, N.J.	78	6	96
Hilton Hotels	Hotel	Hilton Hotels Corp.*	Beverly Hills, Calif.	21	9	61
Holiday Inns	Hotel	Bass PLC	Memphis, Tenn.	36	94	22
Host International	Contract	Marriott Corp.*	Washington, D.C.	31	49	38
Houlihan's	Dinner House	Gilbert/Robinson Inc.	Kansas City, Mo.	91	13	91
Hyatt Hotels	Hotel	Hyatt Hotels Corp.	Chicago, Ill.	52	10	86
Int'l House of Pancakes	Family	IHOP Corp.	North Hollywood, Calif.	53	66	44
Jack in the Box	Sandwich	Foodmaker Inc.	San Diego, Calif.	23	48	27
K mart	In-store	K mart Corp.*	Troy, Mich.	61	99	19
Kentucky Fried Chicken	Chicken	PepsiCo Inc.*	Louisville, Ky.	5	77	7
Krystal	Sandwich	The Krystal Co.	Chattanooga, Tenn.	98	63	66
Little Caesars Pizza	Pizza	Little Caesar Enterprises Inc.	Detroit, Mich.	11	90	12
Long John Silver's	Fish	Jerrico Inc.*	Lexington, Ky.	27	82	23
Luby's Cafeteria	Cafeteria	Luby's Cafeterias Inc.*	San Antonio, Texas	65	21	84
Marie Callender's	Family	Wilshire Restaurant Group	Orange, Calif	84	34	78
Marriott Food and Services Mgt.	Contract	Marriott Corp.*	Washington, D.C.	9	50	1
Marriott Hotels & Resorts	Hotel	Marriott Corp.*	Washington, D.C.	18	12	57
Marriott In-Flite	Contract	Caterair International	Potomac, Md.	30	3	95
McDonald's	Sandwich	McDonald's Corp.*	Oak Brook, Ill.	1	33	1
Morrison Custom Management	Contract	Morrison Inc.*	Mobile, Ala.	54	89	29
Morrison's	Cafeteria	Morrison Inc.*	Mobile, Ala.	68	31	75
Ogden Allied Entertainment Services	Contract	Ogden Corp.*	New York, N.Y.	82	22	8
Olive Garden	Dinner House	General Mills Inc.*	Miami, Fla.	34	18	64
Perkins Family Restaurants	Family	Tennessee Restaurant Co.	Memphis, Tenn.	47	41	5
Piccadilly	Cafeteria	Piccadilly Cafeterias Inc.*	Baton Rouge, La.	66	25	80
Pizza Hut	Pizza	PepsiCo Inc.*	Wichita, Kan.	3	78	2
Ponderosa	Steak	Metromedia Co.	Dayton, Ohio	29	55	33
Popeye's Chicken	Chicken	Al Copeland Ent.erprises	Jefferson, La.	38	68	31
Quincy's	Steak	TW Holdings Inc.*	Spartanburg, S.C.	74	42	71
Radisson Hotels	Hotel	Carlson Cos.	Minneapolis, Minn.	59	29	74
Rally's	Sandwich	Rally's Inc.*	Louisville, Ky.	96	61	59
Ramada Inn	Hotel	Blackstone Capital Partners	Fairfield, N.J.	64	71	50
Rax	Sandwich	Rax Restaurants Inc *	Columbus, Ohio	60	72	45
Red Lobster	Dinner House	General Mills Inc.*	Miami, Fla.	15	15	46
Round Table Pizza	Pizza	Round Table Franchise Corp.	San Francisco, Calif.	67	95	40
Roy Rogers	Sandwich	Imasco Ltd.	Bethesda, Md.	42	51	35
Ruby Tuesday	Dinner House	Morrison Inc.*	Mobile, Ala.	99	32	83
Ryan's	Steak	Ryan's Family Steak Houses Inc.*	Greer, S.C.	58	23	81
Sbarro	Pizza	Sbarro Inc.*	Commack, N.Y.	80	79	49
Seiler Corp.	Contract	Sodexho Corp.	Waltham, Mass.	55	56	54
Service America	Contract	Servam Inc.	Stamford, Conn.	16	67	20
ServiceMaster Food Services	Contract	ServiceMaster L.P.	Downers Grove, Ill.	76	57	6
7-Eleven	C-store	Southland Corp.	Dallas, Texas	28	100	3
Shakey's	Pizza	Inno-Pacific Holdings	So. San Francis-co, Calif.	95	76	72
Sheraton Hotels	Hotel	ITT Corp.*	Boston, Mass.	22	14	58
Shoney's	Family	Shoney's Inc.*	Nashville, Tenn.	24	36	32
Six Flags amusement parks	Theme park	Six Flags Corp.	Arlington, Texas	100	2	99
Sizzler	Steak	Sizzler Restaurants Int'l Inc.*	Los Angeles, Calif.	26	39	37
Sky Chefs	Contract	Onex Corp.	Arlington, Texas	48	4	97
Sonic Drive-In	Sandwich	Sonic Industries, Inc.	Oklahoma City, Ok.	51	92	28
Sportservice	Contract	Delaware North Cos.	Buffalo, N.Y.	89	16	92
Steak and Ale	Dinner House	S&A Restaurant Corp.	Dallas, Texas	87	38	79
Stuart Anderson's Black Angus	Dinner House	American Restaurant Group	Los Altos, Calif.	88	19	9
Subway	Sandwich	Doctor's Asso. Inc.	Milford, Conn.	19	96	6
Taco Bell	Sandwich	PepsiCo Inc.*	Irvine, Calif.	8	65	11
TCBY	Snack	TCBY Ent. Inc.*	Little Rock, Ark.	56	97	17
Tony Roma's	Dinner House	Roma Corp.	Dallas, Texas	62	27	82
T.G.I. Friday's	Dinner House	Carlson Cos.	Dallas, Texas	41	11	77
Village Inn	Family	Vicorp Inc.	Denver, Colo.	85	46	68
Waffle House	Family	Waffle House Inc.	Norcross, Ga.	75	93	34
Wendy's	Sandwich	Wendy's Int'l. Inc.*	Dublin, Ohio	6	64	10
Western Sizzlin'	Steak	Intermark/Triton Group	Dallas, Texas	44	60	41
Westin Hotels	Hotel	Aoki Corp.	Seattle, Wash.	70	5	98
Whataburger	Sandwich	Whataburger Inc.	Corpus Christi, Texas	63	70	47
White Castle	Sandwich	White Castle System Inc.	Columbus, Ohio	69	43	63

Welcome to NRN's Top 100

by Richard Martin
NRN Top 100 Project Director

The 1990 Nation's Restaurant News Top 100 report represents the most reliable and most graphic appraisal of sales, growth and change in the U.S. foodservice industry.

Ranking the 100 leading foodservice chains and the 100 highest-grossing foodservice companies, NRN's Top 100 provides an incisive look at the competitive dynamics shaping the future of foodservice in America.

Top 100, the product of months of preparation and hundreds of man-hours of research and reporting, measures the evolutionary market shifts and spending trends that mirror the nation's volatile dining-out appetite.

Put in its broadest perspective, Top 100 paints a picture encompassing a realm of chains whose aggregate volumes equal nearly 37 percent of the entire U.S. foodservice industry's total estimated 1990 sales.

Chains represented in the report qualified for inclusion strictly on the projected magnitude of their domestic, systemwide food-and-beverage sales volumes for the fiscal year now in progress.

Companies qualified on the basis of their domestic, foodservice-generated corporate revenue for the current fiscal year.

Utilized extensively by industry leaders as a tool for planning and analysis, the annual Top 100 data are also disseminated widely through data bases and numerous media citations. Top 100 findings are validated each year by feedback from executives and analysts and by NRN's own confirmational measurements of prior years' projections.

Qualifying thresholds for this year's Top 100 were $201.7 million in sales, for chains, and $107.0 million in foodservice revenue, for companies.

Only those organizations whose volumes exceed those levels are included in the Top 100 statistical universe.

In addition to the basic sales-based rankings, Top 100 also ranks chains according to a variety of other criteria, including number of domestic units, sales per unit and the chains' share of the total Top 100 market volume.

The revenue-ranked Top 100 companies are also ranked based on the year-to-year growth rates of their foodservice revenue.

Chains are again ranked , in their respective market segments, against those direct competitors that also qualify for inclusion in the Top 100. Market-share rankings within each industry segment indicate the share of aggregate sales generated only by the Top 100 chains in that segment.

Additionally, the chains are ranked separately on the basis of the year-to-year growth rates of their systemwide sales, number of units, per-unit sales and franchise systems.

All statistical data for the NRN Top 100 were inputted and collated by Patrick Macaulay, Audrey Anderson and Joy Greene.

TOP 100

TOP 100 CHAINS RANKED BY U.S. SYSTEMWIDE FOODSERVICE SALES

1990 Rank	1989 Rank	Chain	Concept	Parent Company	Fiscal Year Ends	U.S. Systemwide Foodservice Sales (By Fiscal Year, In Millions) Current	Last full	Prior
1	1	McDonald's	Sandwich	McDonald's Corp.*	Dec. '90	$12,835.0	$12,012.0	$11,380.0
2	2	Burger King	Sandwich	Grand Metropolitan PLC	Sept. '90	5,700.0	5,700.0	5,400.0
3	3	Pizza Hut	Pizza	PepsiCo Inc.*	Dec. '90	3,680.0	3,240.0	2,890.0
4	5	Hardee's [1]	Sandwich	Imasco Ltd.	Dec. '90	3,242.8	2,979.8	2,822.1
5	4	Kentucky Fried Chicken	Chicken	PepsiCo Inc.*	Dec. '90	3,162.1	3,000.0	2,900.0
6	6	Wendy's	Sandwich	Wendy's International Inc.*	Dec. '90	3,067.0	2,827.0	2,720.0
7	7	Domino's Pizza	Pizza	Domino's Pizza Inc.	Dec. '90	2,600.5	2,500.0	2,300.0
8	9	Taco Bell	Sandwich	PepsiCo Inc.*	Dec. '90	2,599.5	2,000.0	1,600.0
9	8	Marriott Food and Services Management	Contract	Marriott Corp.*	Dec. '90	2,350.0	2,120.0	1,880.0
10	10	Dairy Queen	Sandwich	American Dairy Queen Corp.	Nov. '90	1,980.0	1,938.0	1,839.0
11	17	Little Caesars Pizza	Pizza	Little Caesar Enterprises Inc.	Dec. '90	1,500.0	1,130.0	908.0
12	11	Canteen Corp.	Contract	TW Holdings Inc.*	Dec. '90	1,470.0	1,390.0	1,330.0
13	12	ARA Services/ARASERVE	Contract	ARA Services Inc.	Sept. '90	1,465.0	1,350.0	1,300.0
14	13	Denny's	Family	TW Holdings Inc.*	Dec. '90	1,451.4	1,346.9	1,267.9
15	14	Red Lobster	Dinner House	General Mills Inc.*	May '91	1,400.0	1,300.0	1,200.0
16	16	Service America	Contract	Servam Inc.	Mar. '91	1,360.0	1,170.0	1,060.0
17	15	Arby's	Sandwich	DWG Corp.	Dec. '90	1,285.0	1,219.0	1,099.0
18	18	Marriott Hotels & Resorts [2]	Hotel	Marriott Corp.*	Dec. '90	1,188.0	1,106.0	1,014.7
19	26	Subway	Sandwich	Doctor's Associates Inc.	Dec. '90	1,118.8	781.7	495.0
20	19	Big Boy	Family	Elias Bros. Restaurants Inc.	Dec. '90	1,100.0	1,000.0	994.0
21	20	Hilton Hotels [3]	Hotel	Hilton Hotels Corp.*	Dec. '90	1,013.8	921.1	945.1
22	21	Sheraton Hotels	Hotel	ITT Corp.*	Dec. '90	1,010.8	911.4	980.4
23	24	Jack in the Box	Sandwich	Foodmaker Inc.	Sept. '90	932.1	833.7	775.7
24	22	Shoney's	Family	Shoney's Inc.*	Oct. '90	927.0	862.4	798.6
25	27	Dunkin' Donuts	Snack	Allied-Lyons PLC	Dec. '90	875.0	768.3	680.6
26	23	Sizzler	Steak	Sizzler Restaurants International Inc.*	Apr. '91	864.3	845.6	748.6
27	25	Long John Silver's	Fish	Jerrico Inc.*	June '91	851.4	803.8	779.4
28	28	7-Eleven	C-store	Southland Corp.	Dec. '90	786.0	715.0	687.0
29	29	Ponderosa	Steak	Metromedia Co.	Feb. '91	707.1	694.0	696.0
30	32	Marriott In-Flite	Contract	Caterair International	Dec. '90	656.0	569.0	543.0
31	30	Host International	Contract	Marriott Corp.*	Dec. '90	638.0	609.0	525.0
32	39	Disney theme parks and hotels	Theme park	Walt Disney Co.*	Sept. '90	604.6	495.6	403.0
33	34	Carl's Jr.	Sandwich	Carl Karcher Enterprises Inc.*	Jan. '91	600.5	550.2	480.6
34	45	Olive Garden	Dinner House	General Mills Inc.*	May '91	599.5	450.0	300.0
35	33	Friendly's Restaurants	Family	Tennessee Restaurant Co.	Dec. '90	581.0	557.0	563.0
36	35	Holiday Inns [4]	Hotel	Bass PLC	Dec. '90	573.9	547.4	504.8
37	36	Church's Fried Chicken	Chicken	Al Copeland Enterprises	Oct. '90	567.0	530.0	405.5
38	37	Popeye's Chicken	Chicken	Al Copeland Enterprises	Oct. '90	561.0	525.0	485.0
39	38	Bonanza	Steak	Metromedia Co.	Feb. '91	514.6	520.2	575.2
40	40	Baskin-Robbins	Snack	Allied-Lyons PLC	Dec. '90	503.9	476.9	469.0
41	44	T.G.I. Friday's	Dinner House	Carlson Cos.	Dec. '90	502.0	460.0	412.0
42	31	Roy Rogers [5]	Sandwich	Imasco Ltd.	Dec. '90	500.0	584.0	566.0
43	48	Chili's Grill & Bar	Dinner House	Chili's Inc.**	June '91	488.0	410.0	332.0
44	42	Western Sizzlin'	Steak	Intermark/Triton Group	Dec. '90	484.8	465.0	448.0
45	41	Bennigan's	Dinner House	S&A Restaurant Corp.	June '91	475.0	471.0	458.7
46	46	Chi-Chi's	Dinner House	Foodmaker Inc.	Sept. '90	468.6	430.5	402.9
47	47	Perkins Family Restaurants	Family	Tennessee Restaurant Co.	Dec. '90	457.0	423.0	375.0
48	49	Sky Chefs	Contract	Onex Corp.	Dec. '90	449.0	403.0	377.0
49	43	Golden Corral	Steak	Investors Management Corp.	Dec. '90	435.0	464.8	455.6
50	50	Captain D's Seafood	Seafood	Shoney's Inc.*	Oct. '90	415.3	392.5	366.8

Source: NRN Research.

*Denotes publicly held company

EXPLANATION OF COLUMN HEADINGS

- **Rank:** The Top 100 chains are ranked by current-year systemwide sales, the sales of all franchised and company-operated restaurants. The last-year ranking is based on revised data for the prior fiscal year. Because of adjustments to previous years' figures, the numbers may not match the amounts listed on the 1989 Top 100 listing.

- **Chain:** The name of the restaurant, hotel or contract-feeding operation, as it appears on signage and trademarks.

- **Concept:** Type of restaurant operated by the chain, as defined by the signature menu item or style of service.

- **Parent company:** The business entity that owns a chain's trademarks, licensing rights and copyright. The term is often synonymous with franchisor.

- **Systemwide sales:** Domestic food-service sales of all company-operated and franchised restaurants within a chain. Figures for concessionaires and in-store feeders exclude all retail sales except foodservice intake.

- **Source:** Data was gathered by NRN's editorial staff from franchisors, franchisees, financial analysts, data banks and other reliable sources. In instances where current figures were not available, historical information was used to project or estimate sales.

TOP 100

TOP 100 CHAINS RANKED BY U.S. SYSTEMWIDE FOODSERVICE SALES

1990 Rank	1989 Rank	Chain	Concept	Parent Company	Fiscal Year Ends	U.S. Systemwide Foodservice Sales (By Fiscal Year, In Millions) Current	Last full	Prior
51	51	Sonic Drive-In	Sandwich	Sonic Industries, Inc.	Aug. '90	$ 410.0	$ 390.2	$ 345.5
52	54	Hyatt Hotels	Hotel	Hyatt Hotels Corp.	Jan. '91	401.4	353.9	304.8
53	53	International House of Pancakes	Family	IHOP Corp.	Dec. '90	398.0	359.0	315.0
54	52	Morrison Custom Management	Contract	Morrison Inc.*	May '91	397.0	384.0	343.0
55	55	Seiler Corp.	Contract	Sodexho Corp.	Aug. '90	392.1	350.0	306.0
56	61	TCBY	Snack	TCBY Enterprises Inc.*	Nov. '90	377.2	295.4	207.4
57	58	Bob Evans Farms	Family	Bob Evans Farms Inc.*	Apr. '91	359.8	322.3	293.5
58	63	Ryan's	Steak	Ryan's Family Steak Houses Inc.*	Dec. '90	350.0	295.0	234.0
59	69	Radisson Hotels	Hotel	Carlson Cos.	Dec. '90	345.0	278.0	216.0
60	56	Rax	Sandwich	Rax Restaurants Inc.*	July '91	339.4	330.8	327.0
61	59	K mart	In-store	K mart Corp.*	Jan. '91	325.0	320.0	314.0
62	75	Tony Roma's	Dinner House	Roma Corp.	Feb. '91	318.2	257.4	219.1
63	60	Whataburger	Sandwich	Whataburger Inc.	Sept. '90	318.0	300.0	273.2
64	57	Ramada Inn [6]	Hotel	Blackstone Capital Partners L.P.	Dec. '90	317.9	328.2	314.4
65	67	Luby's Cafeteria	Cafeteria	Luby's Cafeterias Inc.*	Aug. '90	315.5	283.3	254.3
66	65	Piccadilly	Cafeteria	Piccadilly Cafeterias Inc.*	June '91	314.5	290.0	276.0
67	62	Round Table Pizza	Pizza	Round Table Franchise Corp.	June '91	311.0	295.0	267.0
68	64	Morrison's	Cafeteria	Morrison Inc.*	May '91	300.0	292.0	296.0
69	68	White Castle	Sandwich	White Castle System Inc.	Dec. '90	297.3	278.5	282.7
70	66	Westin Hotels	Hotel	Aoki Corp.	Dec. '90	297.2	285.6	266.1
71	72	Chick-fil-A	Chicken	Chick-fil-A Inc.	Dec. '90	296.0	263.8	232.2
72	70	Dobbs International	Contract	Greyhound Dial Corp.	Dec. '90	293.0	277.0	261.0
73	74	Ground Round	Dinner House	International Proteins Corp.*	Dec. '90	290.0	262.7	248.1
74	73	Quincy's	Steak	TW Holdings Inc.*	Dec. '90	287.0	263.0	251.0
75	71	Waffle House	Family	Waffle House Inc.	June '91	274.0	270.5	256.7
76	76	ServiceMaster Food Services	Contract	ServiceMaster L.P.	Dec. '90	273.0	241.0	208.0
77	87	Cracker Barrel	Family	Cracker Barrel Old Country Store Inc.*	Aug. '91	265.0	215.0	169.5
78	81	Harry M. Stevens	Contract	Harry M. Stevens Inc.	Dec. '90	258.0	227.6	216.4
79	85	Bakers Square	Family	Vicorp Inc.	Oct. '90	250.5	216.8	189.4
80	94	Sbarro	Pizza	Sbarro Inc.*	Dec. '90	249.5	196.0	154.0
81	79	Furr's Cafeterias	Cafeteria	Furr's/Bishop's Cafeterias L.P.*	Dec. '90	245.5	230.0	215.0
82	82	Ogden Allied Entertainment Services	Contract	Ogden Corp.*	Dec. '90	244.5	224.0	206.0
83	77	Godfather's Pizza	Pizza	Godfather's Pizza Inc.	May '91	240.5	236.0	245.0
84	80	Marie Callender's	Family	Wilshire Restaurant Group	Dec. '90	240.0	230.0	210.0
85	78	Village Inn	Family	Vicorp Inc.	Oct. '90	239.5	234.6	229.7
86	84	El Torito	Dinner House	Restaurant Enterprises Group Inc.	Dec. '90	231.8	218.1	214.8
87	83	Steak and Ale	Dinner House	S&A Restaurant Corp.	June '91	230.0	223.8	214.4
88	86	Stuart Anderson's Black Angus	Dinner House	American Restaurant Group	Dec. '90	228.0	216.0	203.8
89	89	Sportservice	Contract	Delaware North Cos.	Dec. '90	226.7	209.0	193.0
90	88	Daka	Contract	Daka International Inc.*	June '91	226.0	210.0	210.0
91	96	Houlihan's	Dinner House	Gilbert/Robinson Inc.	Dec. '90	222.7	190.2	179.6
92	99	El Pollo Loco	Chicken	TW Holdings Inc.*	Dec. '90	220.0	168.0	121.0
93	92	Dobbs Houses	Contract	Greyhound Dial Corp.	Dec. '90	217.0	197.0	205.0
94	95	Concession Air	Contract	Delaware North Cos.	Dec. '90	212.0	195.3	178.5
95	91	Shakey's	Pizza	Inno-Pacific Holdings	Dec. '90	211.0	202.5	191.0
96	100	Rally's	Sandwich	Rally's Inc.*	June '91	210.6	155.4	102.2
97	90	Del Taco [7]	Sandwich	Del Taco Inc.	Dec. '90	210.0	205.0	200.0
98	97	Krystal	Sandwich	The Krystal Co.	Dec. '90	204.5	188.3	178.2
99	98	Ruby Tuesday	Dinner House	Morrison Inc.*	May '91	203.5	173.5	125.8
100	93	Six Flags amusement parks [8]	Theme park	Six Flags Corp.	Dec. '90	201.7	196.9	184.2
		TOTAL:				$87,683.3	$80,625.4	$74,587.7

Source: NRN Research.

*Denotes publicly held company

FOOTNOTES

[1] Sales from Roy Rogers, which Hardee's Food Systems acquired in April 1990, are not included. It also does not include projected sales from the 250-300 Roy Rogers units that were expected to be converted to Hardee's units by the end of 1990.

[2] Includes food and beverage revenues for Marriott Hotels, Marriot resorts, Marriott Suites and Courtyard by Marriott hotels

[3] Hilton's sytemwide sales tallies include food and beverage revenues of domestic casinos.

[4] Holiday is in the process of switching to the October-through-September fiscal year of its new parent, Bass PLC, which acquired the chain's domestic operations several months ago.

[5] Roy Rogers was acquired by Hardee's Food Systems in April 1990. Declining sales figures at Roy Rogers reflect the fact that Hardee's expected to convert from 250-300 Roy Rogers units to Hardee's units by the end of the year.

[6] Blackstone Capital Partners recently acquired Ramada's domestic franchise rights from Prime Motor, which acquired those rights from New World Holdings in 1989

[7] Del Taco's current systemwide sales figure comprises sales in the 283 California outlets owned or franchised by Del Taco Inc., Costa Mesa, Calif., and in the 110 outlets outside California that are owned or franchised by its licensee, Del Taco Restaurants Inc., Atlanta. The Atlanta company, principally owned by W.R. Grace & Co., New York, is being sold to Taco Tico Inc. of Wichita, Kan.

[8] Includes revenues from some on-site games.

TOP 100

TOP 100 COMPANIES RANKED BY U.S. FOODSERVICE REVENUE

Rank 1990	Rank 1989	Company	Concepts	Fiscal Year Ends	U.S. Food & Beverage Revenue (By Fiscal Year, In Millions) Current	Last Full	Prior
1	2	PepsiCo Inc.*	Pizza Hut, Taco Bell, Kentucky Fried Chicken	Dec. '90	$ 5,555.0	$ 4,684.8	$ 3,950.3
2	1	Marriott Corp.* [1]	Marriott hotels, contract feeding, Host International	Dec. '90	4,927.3	5,342.3	5,082.0
3	3	McDonald's Corp.*	McDonald's	Dec. '90	4,048.0	3,923.0	3,716.0
4	4	TW Holdings Inc.*	Denny's, Hardee's, Quincy's, El Pollo Loco, Canteen Corp.	Dec. '90	3,700.0	3,500.0	3,300.0
5	5	General Mills Inc.*	Red Lobster, Olive Garden	May '91	2,000.0	1,750.0	1,520.0
6	6	ARA Services Inc.	ARASERVE, ARA Leisure Services	Sept. '90	1,709.0	1,577.0	1,451.0
7	7	Servam Inc.	Service America Food Service	Mar. '91	1,360.0	1,170.0	1,060.0
8	10	Imasco Ltd. [10]	Hardee's, Roy Rogers	Dec. '90	1,295.0	985.9	947.5
9	8	Wendy's International Inc.*	Wendy's	Dec. '90	1,128.0	1,120.0	1,060.0
10	9	Foodmaker Inc.	Jack in the Box, Chi-Chi's	Sept. '90	1,100.0	1,025.0	832.0
11	11	Carlson Cos.	T.G.I. Friday's, Dalt's, Radisson Hotels, Country Kitchen	Dec. '90	1,040.0	922.0	801.4
12	12	Morrison Inc.*	Morrison's cafeterias, contract feeding, Ruby Tuesday	May '91	1,025.0	900.5	829.2
13	13	Restaurant Enterprises Group Inc.	El Torito, Casa Gallardo, Carrow's, Coco's, Reuben's	Dec. '90	900.0	887.5	889.2
14	14	Grand Metropolitan PLC [2]	Burger King	Sept. '90	815.0	810.0	781.0
15	17	Tennessee Restaurant Co.	Perkins Family Restaurants, Friendly Ice Cream	Dec. '90	779.0	726.0	713.0
16	16	Shoney's Inc.*	Shoney's, Lee's Famous Recipe Chicken, Captain D's	Oct. '90	775.3	739.4	691.2
17	15	Greyhound Dial Corp.	Dobbs International, Greyhound Food Mgmt., Burger King	Dec. '90	770.0	764.0	786.0
18	19	Domino's Pizza Inc.	Domino's Pizza	Dec. '90	733.0	638.0	577.0
19	18	S&A Restaurant Corp.	Bennigan's, Steak and Ale	June '91	705.0	694.8	673.1
20	100	Caterair International	Marriott In-flite	Dec. '90	656.0	0.0	0.0
21	20	Jerrico Inc.*	Long John Silver's	June '91	608.6	588.7	574.9
22	22	Walt Disney Co.*	Disney theme parks, hotels	Sept. '90	604.6	495.6	408.0
23	25	Collins Foods International Inc.*	Sizzler, Kentucky Fried Chicken	April '91	509.6	463.6	457.1
24	26	Sodexho	The Seiler Corp., Boatel, Food Dimensions Inc.	Aug. '90	503.1	462.0	404.0
25	42	Al Copeland Investments	Popeye's, Church's, Copeland's, Super Popeye's	Dec. '90	499.0	307.0	40.0
26	24	Carl Karcher Enterprises*	Carl's Jr.	Jan. '91	495.0	473.3	414.6
27	28	Onex Corp.	Sky Chefs, Southwest Dining Services	Dec. '90	462.0	417.0	381.0
28	27	American Restaurant Group Inc.	Stuart Anderson's, Grandy's, Spoons, Spectrum Foods	Dec. '90	449.0	437.3	419.2
29	21	Southland Corp.	7-Eleven, Hyde's	Dec. '90	443.0	525.0	499.0
30	30	Delaware North Cos.	Concession Air, Sportservice	Dec. '90	439.0	404.0	372.0
31	23	Investors Management Corp.	Golden Corral, Oh! Brian's, Church's Chicken	Dec. '90	433.5	481.0	470.0
32	29	Metromedia Co.	Ponderosa Steakhouses, Bonanza Family Restaurants	Feb. '91	432.9	406.5	417.0
33	37	Little Caesars Enterprises Inc.	Little Caesars Pizza	Dec. '90	430.0	347.0	259.0
34	36	Chili's Inc.*	Chili's, Regas Grill, Romano's Macaroni Grill	June '91	425.0	347.0	286.0
35	32	Ogden Corp.*	Ogden Allied entertainment, leisure, aviation services	Dec. '90	408.0	379.4	359.0
36	31	Daka International*	Daka contract food services, Fuddruckers	June '91	405.0	390.0	370.0
37	35	Hyatt Hotels Corp.	Hyatt hotels, resorts	Jan. '91	401.4	353.9	304.8
38	33	Vicorp Restaurants Inc.	Bakers Square, Village Inn	Oct. '90	400.0	362.6	334.6
39	34	IHOP Corp.	International House of Pancakes, Owens Family Restaurants	Dec. '90	398.0	359.0	315.0
40	38	Bob Evans Farms Inc.*	Bob Evans Restaurants	April '91	359.8	322.3	293.5
41	40	Piccadilly Cafeterias Inc.*	Piccadilly Cafeterias	June '91	350.0	315.0	276.2
42	43	Boddie-Noell Enterprises Inc.	Hardee's, Skats	Sept. '90	329.0	305.0	295.0
43	39	K mart Corp.*	K mart cafeterias, K mart deli and snacks	Jan. '91	325.0	320.0	314.0
44	41	Sizzler Restaurants International Inc.*	Sizzler Steak Seafood & Salad, Sizzler Buffet Court	Apr. '91	321.1	307.6	265.6
45	47	Gilbert/Robinson Inc.	Houlihan's, Darryl's	Dec. '90	315.1	282.4	266.5
46	46	Luby's Cafeterias Inc.*	Luby's Cafeterias	Aug. '90	314.9	283.3	254.3
47	44	Furr's/Bishop's Cafeterias L.P.*	Furr's Cafeteria's, Bishop's Cafeterias	Dec. '90	300.0	286.0	271.0
48	49	ITT Corp.*	Sheraton Hotels	Dec. '90	299.4	264.5	256.5
49	48	White Castle System Inc.	White Castle	Dec. '90	297.3	278.4	282.7
50	45	Aoki Corp.	Westin Hotels	Dec. '90	297.2	285.6	266.1

Source: NRN Research.

* Represents publicly held companies.

EXPLANATION OF COLUMN HEADINGS

- **Rank:** The ranking is based on revenues for each company's domestic foodservice revenues for the current year in progress unless otherwise indicated. Only food-service revenues were included.

  The last full-year figure is based on revised data for that year. Because of adjustments, the numbers may not match the figures presented in last year's Top 100 listing.

- **Company:** The business entity that ultimately receives the specified food-service revenues.

- **Concepts:** The names of the chains or restaurants operated or franchised by the company. In some instances, the listed concept is the type of foodservice operation — contract feeding, for instance.

- **Revenue:** Domestically generated foodservice dollars collected by the company. Included are sales from company-operated operations; franchise fees; and proceeds from routine asset sales and divestitures. Excluded are the intake of franchised restaurants; revenues generated by manufacturing or wholesaling products; revenues generated by the sale of processed foods through supermarkets; distribution revenues; and revenues from foreign operations.

Note: Footnotes appear on page 52.

TOP 100

TOP 100 COMPANIES RANKED BY U.S. FOODSERVICE REVENUE

Rank 1990	Rank 1989	Company	Concepts	Fiscal Year Ends	U.S. Food & Beverage Revenue (By Fiscal Year, In Millions) Current	Last Full	Prior
51	50	Chick-fil-A Inc.	Chick-fil-A	Dec. '90	$ 296.0	$ 263.8	$ 232.2
52	51	International Proteins Corp.*[3]	Ground Round	Dec. '90	290.0	262.7	248.1
53	52	Ryan's Family Steak Houses Inc.*	Ryan's Family Steak House	Dec. '90	285.7	253.0	212.0
54	55	ServiceMaster L.P.	ServiceMaster contract feeding	Dec. '90	273.0	241.0	208.0
55	56	Riese Organization	Houlihan's, T.G.I. Friday's, Charley O's, El Torito	April '90	260.0	240.0	142.0
56	60	Harry M. Stevens Inc.	Harry M. Stevens contract food services	Dec. '90	258.0	227.6	216.4
57	53	Elias Bros. Restaurants Inc.	Big Boy, Top Hat contracting	Dec. '90	256.0	250.0	225.0
58	58	Hilton Hotels Corp.*	Hilton hotels, casinos	Dec. '90	254.2	236.8	226.9
59	54	Nestle S.A.[4]	Stouffer Hotels, J.B. Winberie, Rusty Scupper	Dec. '90	250.2	244.7	234.2
60	57	TPI Enterprises	Shoney's, Captain D's	Dec. '90	250.0	238.0	224.0
61	59	Gardner Merchant Ltd.	Trusthouse Forte Food Services/Hotels, Travel Lodge	Jan. '91	246.0	229.0	209.0
62	98	Kyotaru Co. Ltd.[5]	Rest. Assoc.'s (Acapulco, etc.), Hungry Hunter, Arbys, Loves	Dec. '90	243.5	40.0	20.0
63	63	National Pizza Co.*	Pizza Hut, Skipper's Seafood	Mar. '91	235.0	198.4	141.8
64	66	RTM Inc.	Arby's, Mrs. Winner's Chicken & Biscuits	May '91	233.0	193.0	128.0
65	62	Whataburger Inc.	Whataburger	Sept. '90	218.4	212.6	210.3
66	68	DWG Corp.	Arby's Inc.	Dec. '90	208.2	181.7	170.8
67	61	Paragon Restaurant Group[6]	Carlos Murphy's, Rusty Pelican	Oct. '90	203.8	225.0	216.5
68	76	Sbarro Inc.*	Sbarro The Italian Eatery	Dec. '90	203.3	148.7	117.0
69	65	Specialty Restaurants Corp.	94th Aero Squadron, Baby Doe's, Crawdaddy's	July '91	202.0	194.0	187.0
70	64	Six Flags Corp.[7]	Six Flags amusement parks	Dec. '90	201.7	196.9	184.2
71	70	Abela Enterprises Inc.	Wood Co. contract food services	Dec. '90	198.5	172.7	119.4
72	74	Unigate Restaurants	Taco Bueno, Casa Bonita, Black-eyed Pea	Apr. '91	196.0	165.0	150.0
73	67	Krystal Shares Inc.	Krystal	Dec. '90	195.0	188.3	178.2
74	69	Wyatt Cafeterias Inc.	Wyatt Cafeterias	Dec. '90	187.2	176.3	175.3
75	73	ShowBiz Pizza Time Inc.*	Chuck E. Cheese's Pizza Time Theatre, ShowBiz Pizza	Dec. '90	175.0	167.0	151.0
76	71	Harman Management Corp.	Kentucky Fried Chicken	June '91	173.0	170.0	168.0
77	72	Woolworth Corp.*	Woolworth in-store, Burger King, Harvest House	Jan. '91	172.8	170.0	169.0
78	86	RPM Pizza Inc.	Domino's Pizza	Dec. '90	165.0	126.0	120.1
79	79	Carrols Corp.	Burger King	Dec. '90	159.0	145.5	133.5
80	78	Frisch's Restaurants Inc.*	Big Boy, Roy Rogers	June '91	154.0	147.0	147.0
81	99	Allied-Lyons PLC[8]	Baskin-Robbins, Dunkin' Donuts, Mister Donut	Dec. '90	150.7	24.5	23.5
82	84	Papa Gino's of America Inc.	Papa Gino's Pizza	Sept. '90	150.0	135.0	127.0
83	82	Chart House Enterprises Inc.*	The Chart House, Paradise Bakery	Dec. '90	149.9	139.6	146.3
84	80	Club Corp. of America Inc.	Private clubs and resorts	Dec. '90	149.8	140.0	128.0
85	77	Brown Derby Inc.	Brown Derby	May '91	149.7	148.5	148.5
86	81	Del Taco Inc.	Del Taco, Naugles	Dec. '90	145.0	140.0	135.0
87	75	Horn & Hardart Co.*	International King's Table, Burger King, Tony Roma's	Dec. '90	143.8	151.6	175.4
88	92	Buffets Inc.*	Old Country Buffet	Jan. '91	140.1	115.0	71.8
89	85	W.H. Braum Inc.	Braum's Ice Cream and Dairy Stores	Dec. '90	139.9	130.0	123.6
90	83	Promus Cos.[9]	Harrah's casinos	Dec. '90	134.6	139.1	132.5
91	87	Mrs. Fields Inc.	Mrs. Fields Cookies, La Petite Boulangerie	Dec. '90	130.1	120.1	115.0
92	88	Waffle House Inc.	Waffle House	June '90	130.0	120.0	110.0
93	89	Wilshire Restaurant Group	Marie Callender's	Dec. '90	129.0	119.0	108.0
94	90	Rax Restaurants Inc.*	Rax Restaurants, Zoomz Restaurants	July '91	124.7	117.5	114.3
95	94	JB's Restaurants Inc.*	JB's	Sept. '90	122.0	109.4	99.7
96	91	Pizza Management Inc.	Pizza Hut, Taco Bell, El Criollito	Dec. '90	121.0	117.0	100.0
97	93	Lyon's Restaurants Inc.	Lyon's Restaurants	June '91	120.0	110.0	102.0
98	95	Consolidated Products Inc.*	Steak 'n Shake, Jeremiah Sweeney's, Santini's	Sept. '90	113.7	108.7	101.1
99	97	Shato Holdings Ltd.	Winchell's Donut Houses, Rolling Pin Donuts	Mar. '91	113.6	41.2	–
100	96	Scott's Hospitality	Kentucky Fried Chicken, Manchu Wok	Dec. '90	107.0	105.0	102.0
		TOTAL:			$56,584.2	$51,646.1	$47,215.1

Source: NRN Research.

* Represents publicly held companies.

FOOTNOTES

[1] Current-year total includes projected revenues from Marriott's family restaurant operations, which the company is striving to divest. The 1989 and '90 figures include revenues from the in-flight catering operation that was sold to management in December 1989 and renamed Caterair. The figure also includes the revenues generated by Roy Rogers between January and April, when Marriott sold the sandwich chain to Imasco Ltd.

[2] Grand Metropolitan PLC completed its acquisition of Burger King in Jan. '89. "Prior-year" revenues were actually earned by BK's former parent company, Pillsbury Co.

[3] At press time, International Proteins Corp. announced that its name had changed to GR Foods Inc.

[4] Nestle S.A. has disclosed plans to divest its 65-unit Stouffer Restaurant Co., operator of such chains as Rusty Scupper, J.B. Winberie and Cheese Cellar. Figures presented here assume that a deal will not be consummated before the end of the current fiscal year.

[5] Kyctaru Co. Ltd.'s current-year revenue figure reflects its April purchase of Restaurant Associates Industries, New York, and includes a prorated, 9-month share of RA's estimated 1990 sales; Kyotaru's revenue also includes a prorted, 3-month share of the estimated 1990 sales of Paragon Steakhouse Restaurants Inc., which Kyotaru recently purchased from Paragon Restaurant Group, San Diego.

[6] Paragon Restaurant Group's current-year revenue figure reflects the recent sale its Paragon Steakhouse Restaurants subsidiary to Kyotaru Co. Ltd., and excludes a prorated, 3-month share of the subsidiary's estimated 1990 sales.

[7] Includes revenues from some on-site games.

[8] Allied-Lyons' current-year revenue figure reflects its purchases of Dunkin' Donuts, in Dec. '89, and Mister Donut, in March '90; the figure includes six months' sales from 17 Chili's units that Dunkin' intended to sell by Aug. '90.

[9] Promus' businesses formerly operated as components of Holiday Corp. Numbers for 1988 and '89 reflect of those holdings while they were part of Holiday, which has since been absorbed into Bass PLC.

[10] Includes a prorated share of company store sales and franchise fee revenues from the Roy Rogers chain, which Imasco subsidiary Hardee's Food Systems acquired in April 1990.

TOP 100

TOP 100 COMPANIES RANKED BY GROWTH IN U.S. FOODSERVICE REVENUE

1990 Rank	1989 Rank	Company	Fiscal Year Ends	Percentage Change '90 vs. '89	'89 vs. '88
1	71	Allied-Lyons PLC	Dec. '90	515.10%	4.26%
2	2	Kyotaru Co. Ltd.	Dec. '90	508.75	100.00
3	100	Shato Holdings Ltd.	Mar. '91	175.73	—
4	1	Al Copeland Investments	Dec. '90	62.54	667.50
5	9	Sbarro Inc.	Dec. '90	36.72	27.09
6	72	Imasco Ltd.	Dec. '90	31.35	4.05
7	66	RPM Pizza Inc.	Dec. '90	30.95	4.91
8	8	Little Caesars Enterprises Inc.	Dec. '90	23.92	33.98
9	12	Chili's Inc.	June '91	22.48	21.33
10	11	Walt Disney Co.	Sept. '90	21.99	21.47
11	4	Buffets Inc.	Jan. '91	21.74	60.17
12	5	RTM Inc.	May '91	20.73	50.78
13	32	Unigate Restaurants	Apr. '91	18.79	10.00
14	14	PepsiCo Inc.	Dec. '90	18.57	18.59
15	7	National Pizza Co.	Mar. '91	18.45	39.92
16	30	Servam Inc.	Mar. '91	16.24	10.38
17	6	Abela Enterprises Inc.	Dec. '90	14.94	44.64
18	29	Domino's Pizza Inc.	Dec. '90	14.89	10.57
19	49	DWG Corp.	Dec. '90	14.58	6.38
20	19	General Mills Inc.	May '91	14.29	15.13
21	42	Morrison Inc.	May '91	13.83	8.60
22	16	Hyatt Hotels Corp.	Jan. '91	13.42	16.11
23	63	Harry M. Stevens Inc.	Dec. '90	13.36	5.18
24	17	ServiceMaster L.P.	Dec. '90	13.28	15.87
25	79	ITT Corp.	Dec. '90	13.19	3.12
26	13	Ryan's Family Steak Houses Inc.	Dec. '90	12.92	19.34
27	20	Carlson Cos.	Dec. '90	12.80	15.05
28	25	Chick-fil-A Inc.	Dec. '90	12.21	13.61
29	33	Bob Evans Farms Inc.	April '91	11.64	9.81
30	53	Gilbert/Robinson Inc.	Dec. '90	11.54	5.97
31	34	JB's Restaurants Inc.	Sept. '90	11.52	9.73
32	26	Luby's Cafeterias Inc.	Aug. '90	11.19	11.40
33	50	Papa Gino's of America Inc.	Sept. '90	11.11	6.30
34	23	Piccadilly Cafeterias Inc.	June '91	11.11	14.05
35	24	IHOP Corp.	Dec. '90	10.86	13.97
36	36	Onex Corp.	Dec. '90	10.79	9.45
37	54	International Proteins Corp.	Dec. '90	10.39	5.88
38	43	Vicorp Restaurants Inc.	Oct. '90	10.31	8.37
39	86	Collins Foods International Inc.	April '91	9.92	1.42
40	39	Carrols Corp.	Dec. '90	9.28	8.99
41	44	Lyon's Restaurants Inc.	June '91	9.09	7.84
42	21	Sodexho	Aug. '90	8.90	14.36
43	41	Delaware North Cos.	Dec. '90	8.66	8.60
44	31	Wilshire Restaurant Group	Dec. '90	8.40	10.19
45	40	ARA Services Inc.	Sept. '90	8.37	8.68
46	3	Riese Organization	April '90	8.33	69.01
47	38	Waffle House Inc.	June '90	8.33	9.09
48	68	Mrs. Fields Inc.	Dec. '90	8.33	4.43
49	77	Boddie-Noell Enterprises Inc.	Sept. '90	7.87	3.39
50	62	W.H. Braum Inc.	Dec. '90	7.69	5.18
51	55	Ogden Corp.	Dec. '90	7.54	5.68
52	35	Gardner Merchant Ltd.	Jan. '91	7.42	9.57
53	97	Chart House Enterprises Inc.	Dec. '90	7.38	– 4.58
54	69	Hilton Hotels Corp.	Dec. '90	7.35	4.36
55	10	Foodmaker Inc.	Sept. '90	7.32	23.20
56	85	Tennessee Restaurant Co.	Dec. '90	7.30	1.82
57	37	Club Corp. of America Inc.	Dec. '90	7.00	9.38
58	94	White Castle System Inc.	Dec. '90	6.79	– 1.52
59	95	Metromedia Co.	Feb. '91	6.49	– 2.52
60	90	Wyatt Cafeterias Inc.	Dec. '90	6.18	0.57
61	81	Rax Restaurants Inc.	July '91	6.13	2.80
62	52	TW Holdings Inc.	Dec. '90	5.71	6.06
63	51	TPI Enterprises	Dec. '90	5.04	6.25
64	59	Furr's/Bishop's Cafeterias L.P.	Dec. '90	4.90	5.54
65	47	Shoney's Inc.	Oct. '90	4.86	6.97
66	28	ShowBiz Pizza Time Inc.	Dec. '90	4.79	10.60
67	92	Frisch's Restaurants Inc.	June '91	4.76	0.00
68	45	Consolidated Products Inc.	Sept. '90	4.60	7.52
69	22	Carl Karcher Enterprises	Jan. '91	4.58	14.16
70	18	Sizzler Restaurants Int'l Inc.	Apr. '91	4.39	15.81
71	74	Specialty Restaurants Corp.	July '91	4.12	3.74
72	46	Aoki Corp.	Dec. '90	4.06	7.33
73	60	Daka International	June '91	3.85	5.41
74	76	Del Taco Inc.	Dec. '90	3.57	3.70
75	56	Krystal Shares Inc.	Dec. '90	3.56	5.67
76	15	Pizza Management Inc.	Dec. '90	3.42	17.00
77	82	Jerrico Inc.	June '91	3.38	2.40
78	58	McDonald's Corp.	Dec. '90	3.19	5.57
79	88	Whataburger Inc.	Sept. '90	2.73	1.09
80	70	American Restaurant Group Inc.	Dec. '90	2.68	4.32
81	48	Six Flags Corp.	Dec. '90	2.44	6.89
82	27	Elias Bros. Restaurants Inc.	Dec. '90	2.40	11.11
83	67	Nestle S.A.	Dec. '90	2.25	4.48
84	80	Scott's Hospitality	Dec. '90	1.90	2.94
85	87	Harman Management Corp.	June '91	1.76	1.19
86	89	Woolworth Corp.	Jan. '91	1.65	0.59
87	84	K mart Corp.	Jan. '91	1.56	1.91
88	78	S&A Restaurant Corp.	June '91	1.47	3.22
89	93	Restaurant Enterprises Group Inc.	Dec. '90	1.41	– 0.19
90	91	Brown Derby Inc.	May '91	0.81	0.00
91	96	Greyhound Dial Corp.	Dec. '90	0.79	– 2.80
92	57	Wendy's International Inc.	Dec. '90	0.71	5.66
93	75	Grand Metropolitan PLC	Sept. '90	0.62	3.71
94	65	Promus Cos.	Dec. '90	– 3.24	4.98
95	98	Horn & Hardart Co.	Dec. '90	– 5.15	– 13.57
96	64	Marriott Corp.	Dec. '90	– 7.77	5.12
97	73	Paragon Restaurant Group	Oct. '90	– 9.42	3.93
98	83	Investors Management Corp.	Dec. '90	– 9.88	2.34
99	61	Southland Corp.	Dec. '90	– 15.62	5.21
100	99	Caterair International	Dec. '90	—	—

Source: NRN Research.

TOP 100 CHAINS RANKED BY U.S. SYSTEMWIDE SALES GROWTH

(year-to-year percentage change)

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Percentage Change '90 vs. '89	'89 vs. '88
1	1	Subway	Dec. '90	43.12%	57.92%
2	2	Rally's	June '91	35.52	52.05
3	3	Olive Garden	May '91	33.33	50.00
4	13	Little Caesars Pizza	Dec. '90	32.74	24.45
5	5	El Pollo Loco	Dec. '90	30.95	38.84
6	12	Taco Bell	Dec. '90	30.00	25.00
7	4	TCBY	Nov. '90	27.69	42.43
8	9	Sbarro	Dec. '90	27.55	27.27
9	8	Radisson Hotels	Dec. '90	24.10	28.70
10	16	Tony Roma's	Feb. '91	23.62	17.48
11	10	Cracker Barrel	Aug. '91	23.26	26.84
12	15	Disney theme parks and hotels	Sept. '90	21.99	22.98
13	14	Chili's Grill & Bar	June '91	19.02	23.49
14	11	Ryan's	Dec. '90	18.64	26.07
15	6	Ruby Tuesday	May '91	17.58	37.92
16	60	Houlihan's	Dec. '90	17.09	5.90
17	36	Service America	Mar. '91	16.24	10.38
18	21	Bakers Square	Oct. '90	15.31	14.47
19	70	Marriott In-Flite	Dec. '90	15.29	4.79
20	27	Dunkin' Donuts	Dec. '90	13.89	12.89
21	30	Pizza Hut	Dec. '90	13.58	12.11
22	17	Hyatt Hotels	Jan. '91	13.42	16.11
23	68	Harry M. Stevens	Dec. '90	13.36	5.18
24	19	ServiceMaster Food Services	Dec. '90	13.28	15.87
25	24	Chick-fil-A	Dec. '90	12.21	13.61
26	22	Seiler Corp.	Aug. '90	12.03	14.38
27	49	Jack in the Box	Sept. '90	11.80	7.48
28	37	Bob Evans Farms	Apr. '91	11.64	9.81
29	53	Sky Chefs	Dec. '90	11.41	6.90
30	33	Luby's Cafeteria	Aug. '90	11.19	11.40
31	99	Sheraton Hotels	Dec. '90	10.91	– 7.04
32	23	International House of Pancakes	Dec. '90	10.86	13.97
33	29	Marriott Food and Services Mgt.	Dec. '90	10.85	12.77
34	61	Ground Round	Dec. '90	10.39	5.88
35	98	Dobbs Houses	Dec. '90	10.15	– 3.90
36	96	Hilton Hotels	Dec. '90	10.06	– 2.54
37	90	Big Boy	Dec. '90	10.00	0.60
38	75	7-Eleven	Dec. '90	9.93	4.08
39	42	Ogden Allied Entertainment Svcs.	Dec. '90	9.38	8.74
40	32	T.G.I. Friday's	Dec. '90	9.13	11.65
41	71	Quincy's	Dec. '90	9.13	4.78
42	20	Carl's Jr.	Jan. '91	9.05	14.48
43	55	Chi-Chi's	Sept. '90	8.85	6.85
44	63	Hardee's	Dec. '90	8.83	5.59
45	69	Piccadilly	June '91	8.62	5.07
46	40	Concession Air	Dec. '90	8.55	9.41
47	77	ARA Services/ARASERVE	Sept. '90	8.52	3.85
48	76	Wendy's	Dec. '90	8.49	3.93
49	46	Sportservice	Dec. '90	8.47	8.29
50	62	Krystal	Dec. '90	8.34	5.67
51	28	Perkins Family Restaurants	Dec. '90	8.04	12.80
52	56	Denny's	Dec. '90	7.76	6.23
53	45	Red Lobster	May '91	7.69	8.33
54	91	Daka	June '91	7.62	0.00
55	48	Shoney's	Oct. '90	7.49	7.99
56	41	Marriott Hotels & Resorts	Dec. '90	7.41	9.00
57	7	Church's Fried Chicken	Oct. '90	6.98	30.70
58	47	Popeye's Chicken	Oct. '90	6.86	8.25
59	65	McDonald's	Dec. '90	6.85	5.55
60	95	White Castle	Dec. '90	6.75	– 1.49
61	52	Furr's Cafeterias	Dec. '90	6.52	6.98
62	88	El Torito	Dec. '90	6.28	1.54
63	38	Whataburger	Sept. '90	6.00	9.81
64	81	Long John Silver's	June '91	5.92	3.13
65	51	Captain D's Seafood	Oct. '90	5.81	7.01
66	57	Dobbs International	Dec. '90	5.78	6.13
67	72	Canteen Corp.	Dec. '90	5.76	4.51
68	87	Baskin-Robbins	Dec. '90	5.66	1.68
69	59	Stuart Anderson's Black Angus	Dec. '90	5.56	5.99
70	35	Round Table Pizza	June '91	5.42	10.49
71	34	Arby's	Dec. '90	5.41	10.92
72	79	Kentucky Fried Chicken	Dec. '90	5.40	3.45
73	26	Sonic Drive-In	Aug. '90	5.07	12.94
74	44	Holiday Inns	Dec. '90	4.84	8.44
75	18	Host International	Dec. '90	4.76	16.00
76	39	Marie Callender's	Dec. '90	4.35	9.52
77	93	Friendly's Restaurants	Dec. '90	4.31	– 1.07
78	78	Western Sizzlin'	Dec. '90	4.26	3.79
79	58	Shakey's	Dec. '90	4.20	6.02
80	50	Westin Hotels	Dec. '90	4.06	7.33
81	43	Domino's Pizza	Dec. '90	4.00	8.70
82	31	Morrison Custom Management	May '91	3.39	11.95
83	74	Steak and Ale	June '91	2.77	4.38
84	94	Morrison's	May '91	2.74	– 1.35
85	89	Rax	July '91	2.60	1.16
86	83	Del Taco	Dec. '90	2.44	2.50
87	54	Six Flags amusement parks	Dec. '90	2.44	6.89
88	84	Village Inn	Oct. '90	2.30	2.13
89	25	Sizzler	Apr. '91	2.21	12.96
90	66	Dairy Queen	Nov. '90	2.17	5.38
91	92	Ponderosa	Feb. '91	1.89	– 0.29
92	97	Godfather's Pizza	May '91	1.69	– 3.67
93	86	K mart	Jan. '91	1.56	1.91
94	67	Waffle House	June '91	1.29	5.38
95	82	Bennigan's	June '91	0.85	2.68
96	64	Burger King	Sept. '90	0.00	5.56
97	100	Bonanza	Feb. '91	– 1.08	– 9.56
98	73	Ramada Inn	Dec. '90	– 3.14	4.39
99	85	Golden Corral	Dec. '90	– 6.41	2.02
100	80	Roy Rogers	Dec. '90	– 14.38	3.18

Source: NRN Research.

TOP 100

TOP 100 CHAINS RANKED BY SALES PER UNIT

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands) Current	Preceding	Prior
1	1	Disney theme parks and hotels	Sept. '90	$151,200.0	$144,000.0	$134,400.0
2	2	Six Flags amusement parks	Dec. '90	28,800.0	28,100.0	26,300.0
3	3	Marriott In-Flite	Dec. '90	14,500.0	13,500.0	13,300.0
4	4	Sky Chefs	Dec. '90	12,130.0	11,570.0	11,080.0
5	5	Westin Hotels	Dec. '90	8,741.0	8,400.0	8,063.0
6	7	Harry M. Stevens	Dec. '90	6,450.0	5,700.0	5,900.0
7	6	Dobbs International	Dec. '90	5,860.0	6,020.0	6,000.0
8	8	Concession Air	Dec. '90	4,510.0	4,340.0	3,960.0
9	9	Hilton Hotels	Dec. '90	3,769.0	3,530.0	3,500.0
10	10	Hyatt Hotels	Jan. '91	3,682.0	3,504.0	3,350.0
11	13	T.G.I. Friday's	Dec. '90	3,400.0	3,300.0	3,025.0
12	12	Marriott Hotels & Resorts	Dec. '90	3,135.0	3,351.0	3,510.0
13	14	Houlihan's	Dec. '90	3,119.0	3,030.0	2,846.0
14	11	Sheraton Hotels	Dec. '90	3,100.0	3,430.0	3,440.0
15	16	Red Lobster	May '91	3,050.0	2,990.0	2,830.0
16	15	Sportservice	Dec. '90	3,010.0	3,030.0	3,200.0
17	18	Cracker Barrel	Aug. '91	2,800.0	2,700.0	2,100.0
18	19	Olive Garden	May '91	2,800.0	2,700.0	2,600.0
19	20	Stuart Anderson's Black Angus	Dec. '90	2,710.0	2,571.0	2,399.0
20	21	Chi-Chi's	Sept. '90	2,676.0	2,517.0	2,412.0
21	22	Luby's Cafeteria	Aug. '90	2,420.0	2,400.0	2,345.0
22	17	Ogden Allied Ent. Services	Dec. '90	2,400.0	2,800.0	3,100.0
23	23	Ryan's	Dec. '90	2,350.0	2,270.0	2,180.0
24	26	El Torito	Dec. '90	2,310.0	2,135.0	2,090.0
25	28	Piccadilly	June '91	2,250.0	2,050.0	1,900.0
26	25	Chili's Grill & Bar	June '91	2,200.0	2,150.0	2,000.0
27	24	Tony Roma's	Feb. '91	2,179.5	2,163.3	2,148.2
28	27	Bennigan's	June '91	2,130.0	2,112.1	2,066.2
29	29	Radisson Hotels	Dec. '90	1,930.0	1,830.0	1,770.0
30	30	Furr's Cafeterias	Dec. '90	1,900.0	1,815.0	1,800.0
31	31	Morrison's	May '91	1,900.0	1,800.0	1,750.0
32	32	Ruby Tuesday	May '91	1,700.0	1,700.0	1,700.0
33	33	McDonald's	Dec. '90	1,629.0	1,621.0	1,596.0
34	34	Marie Callender's	Dec. '90	1,600.0	1,600.0	1,650.0
35	37	Bakers Square	Oct. '90	1,550.0	1,424.0	1,294.0
36	35	Shoney's	Oct. '90	1,525.0	1,453.0	1,371.0
37	40	Ground Round	Dec. '90	1,450.0	1,347.0	1,279.0
38	38	Steak and Ale	June '91	1,446.5	1,407.5	1,340.0
39	36	Sizzler	Apr. '91	1,444.0	1,430.0	1,360.0
40	39	Bob Evans Farms	Apr. '91	1,400.0	1,400.0	1,350.0
41	41	Perkins Family Restaurants	Dec. '90	1,330.0	1,300.0	1,200.0
42	42	Quincy's	Dec. '90	1,300.0	1,250.0	1,180.0
43	43	White Castle	Dec. '90	1,300.0	1,166.0	1,300.0
44	44	Denny's	Dec. '90	1,177.0	1,123.0	1,069.0
45	45	Carl's Jr.	Jan. '91	1,150.0	1,100.0	1,000.0
46	47	Village Inn	Oct. '90	1,150.0	1,054.0	919.0
47	52	Burger King	Sept. '90	1,100.0	1,000.0	1,020.0
48	56	Jack in the Box	Sept. '90	1,080.0	931.0	903.0
49	49	Host International	Dec. '90	1,060.0	1,040.0	935.0
50	48	Marriott Food and Servs. Mgmt.	Dec. '90	1,060.0	1,050.0	959.0
51	46	Roy Rogers	Dec. '90	1,060.0	1,060.0	1,060.0
52	50	El Pollo Loco	Dec. '90	1,050.0	1,010.0	1,018.0
53	54	Bonanza	Feb. '91	1,025.0	975.0	940.0
54	51	Big Boy	Dec. '90	1,000.0	1,000.0	1,000.0
55	53	Ponderosa	Feb. '91	995.0	986.1	1,001.0
56	61	Seiler Corp.	Aug. '90	980.0	886.0	807.4
57	59	ServiceMaster Food Services	Dec. '90	968.0	909.0	812.0
58	57	Hardee's	Dec. '90	959.0	922.0	920.0
59	55	Golden Corral	Dec. '90	950.0	943.0	888.0
60	58	Western Sizzlin'	Dec. '90	936.0	918.5	774.0
61	60	Rally's	June '91	920.0	905.0	918.0
62	62	Canteen Corp.	Dec. '90	901.8	875.9	861.0
63	63	Krystal	Dec. '90	850.0	812.3	762.6
64	64	Wendy's	Dec. '90	802.0	789.0	759.0
65	68	Taco Bell	Dec. '90	800.0	686.0	589.0
66	65	International House of Pancakes	Dec. '90	794.0	747.0	688.0
67	67	Service America	Mar. '91	780.2	688.3	623.5
68	66	Popeye's Chicken	Oct. '90	759.7	710.0	725.0
69	69	Friendly's Restaurants	Dec. '90	700.0	685.0	675.0
70	71	Whataburger	Sept. '90	698.2	668.1	641.1
71	72	Ramada Inn	Dec. '90	692.5	660.8	627.5
72	70	Rax	July '91	688.4	671.0	657.0
73	76	Arby's	Dec. '90	675.0	626.0	613.0
74	74	Captain D's Seafood	Oct. '90	670.0	660.0	630.0
75	73	Chick-fil-A	Dec. '90	665.2	660.6	621.5
76	75	Shakey's	Dec. '90	655.0	645.0	640.0
77	77	Kentucky Fried Chicken	Dec. '90	635.0	607.0	597.0
78	78	Pizza Hut	Dec. '90	593.0	581.0	572.0
79	79	Sbarro	Dec. '90	575.0	560.0	540.0
80	82	Dobbs Houses	Dec. '90	571.0	539.0	585.0
81	80	ARA Services/ARASERVE	Sept. '90	563.0	542.0	578.0
82	81	Long John Silver's	June '91	559.0	542.0	534.0
83	83	Daka	June '91	538.0	525.0	525.0
84	84	Del Taco	Dec. '90	525.0	520.0	515.0
85	36	Domino's Pizza	Dec. '90	520.0	487.0	441.0
86	85	Dunkin' Donuts	Dec. '90	500.0	490.0	479.8
87	87	Godfather's Pizza	May '91	450.0	440.0	414.0
88	91	Church's Fried Chicken	Oct. '90	445.0	415.0	377.7
89	89	Morrison Custom Management	May '91	441.0	430.0	385.0
90	88	Little Caesars Pizza	Dec. '90	440.0	437.0	426.0
91	90	Dairy Queen	Nov. '90	430.0	422.0	408.0
92	92	Sonic Drive-In	Aug. '90	400.0	395.0	356.0
93	93	Waffle House	June '91	395.0	395.0	395.0
94	94	Holiday Inns	Dec. '90	363.7	346.4	330.8
95	95	Round Table Pizza	June '91	311.0	296.0	267.0
96	96	Subway	Dec. '90	250.0	232.0	215.0
97	97	TCBY	Nov. '90	218.0	221.0	218.0
98	98	Baskin-Robbins	Dec. '90	217.2	202.6	187.6
99	99	K mart	Jan. '91	185.7	185.0	183.6
100	100	7-Eleven	Dec. '90	143.0	138.0	135.0

Source: NRN Research.

TOP 100 CHAINS RANKED BY GROWTH IN SALES PER UNIT

(year-to-year percentage change)

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	'90 vs. '89	'89 vs. '88
1	3	Taco Bell	Dec. '90	16.62%	16.47%
2	56	Jack in the Box	Sept. '90	16.00	3.10
3	11	Service America	Mar. '91	13.35	10.39
4	94	Harry M. Stevens	Dec. '90	13.16	– 3.39
5	100	White Castle	Dec. '90	11.49	–10.31
6	15	Seiler Corp.	Aug. '90	10.61	9.73
7	91	Burger King	Sept. '90	10.00	– 1.96
8	23	Piccadilly	June '91	9.76	7.89
9	4	Village Inn	Oct. '90	9.11	14.69
10	12	Bakers Square	Oct. '90	8.85	10.05
11	62	El Torito	Dec. '90	8.20	2.15
12	65	Arby's	Dec. '90	7.83	2.12
13	22	Subway	Dec. '90	7.76	7.91
14	36	Ground Round	Dec. '90	7.65	5.32
15	70	Marriott In-Flite	Dec. '90	7.41	1.50
16	14	Church's Fried Chicken	Oct. '90	7.23	9.88
17	21	Baskin-Robbins	Dec. '90	7.21	8.00
18	92	Popeye's Chicken	Oct. '90	7.00	– 2.07
19	10	Domino's Pizza	Dec. '90	6.78	10.43
20	75	Hilton Hotels	Dec. '90	6.77	0.86
21	5	ServiceMaster Food Services	Dec. '90	6.49	11.95
22	45	Chi-Chi's	Sept. '90	6.32	4.35
23	19	International House of Pancakes	Dec. '90	6.29	8.58
24	98	Dobbs Houses	Dec. '90	5.94	– 7.86
25	57	Morrison's	May '91	5.56	2.86
26	55	Radisson Hotels	Dec. '90	5.46	3.39
27	25	Stuart Anderson's Black Angus	Dec. '90	5.41	7.17
28	51	Bonanza	Feb. '91	5.13	3.72
29	43	Hyatt Hotels	Jan. '91	5.08	4.60
30	9	Round Table Pizza	June '91	5.07	10.86
31	26	Disney theme parks and hotels	Sept. '90	5.00	7.14
32	42	Holiday Inns	Dec. '90	4.99	4.72
33	33	Shoney's	Oct. '90	4.96	5.98
34	44	Sky Chefs	Dec. '90	4.84	4.42
35	39	Denny's	Dec. '90	4.81	5.05
36	37	Ramada Inn	Dec. '90	4.80	5.31
37	76	Furr's Cafeterias	Dec. '90	4.68	0.83
38	28	Krystal	Dec. '90	4.64	6.52
39	67	Kentucky Fried Chicken	Dec. '90	4.61	1.68
40	13	Carl's Jr.	Jan. '91	4.55	10.00
41	46	Whataburger	Sept. '90	4.51	4.21
42	47	Westin Hotels	Dec. '90	4.06	4.18
43	81	Hardee's	Dec. '90	4.01	0.22
44	34	Quincy's	Dec. '90	4.00	5.93
45	88	El Pollo Loco	Dec. '90	3.96	– 0.79
46	16	Concession Air	Dec. '90	3.92	9.60
47	97	ARA Services/ARASERVE	Sept. '90	3.87	– 6.23
48	1	Cracker Barrel	Aug. '91	3.70	28.57
49	50	Olive Garden	May '91	3.70	3.85
50	60	7-Eleven	Dec. '90	3.62	2.22
51	48	Ryan's	Dec. '90	3.52	4.13
52	71	Long John Silver's	June '91	3.14	1.50
53	18	T.G.I. Friday's	Dec. '90	3.03	9.09
54	66	Canteen Corp.	Dec. '90	2.96	1.73
55	29	Houlihan's	Dec. '90	2.94	6.47
56	40	Steak and Ale	June '91	2.77	5.04
57	53	Sbarro	Dec. '90	2.68	3.70
58	63	Rax	July '91	2.59	2.13
59	6	Morrison Custom Management	May '91	2.56	11.69
60	27	Six Flags amusement parks	Dec. '90	2.49	6.84
61	83	Daka	June '91	2.48	0.00
62	24	Chili's Grill & Bar	June '91	2.33	7.50
63	20	Perkins Family Restaurants	Dec. '90	2.31	8.33
64	31	Godfather's Pizza	May '91	2.27	6.28
65	72	Friendly's Restaurants	Dec. '90	2.19	1.48
66	68	Pizza Hut	Dec. '90	2.07	1.57
67	64	Dunkin' Donuts	Dec. '90	2.04	2.13
68	35	Red Lobster	May '91	2.01	5.65
69	7	Host International	Dec. '90	1.92	11.23
70	2	Western Sizzlin'	Dec. '90	1.91	18.67
71	54	Dairy Queen	Nov. '90	1.90	3.43
72	89	Rally's	June '91	1.66	– 1.42
73	49	Wendy's	Dec. '90	1.65	3.95
74	77	Shakey's	Dec. '90	1.55	0.78
75	41	Captain D's Seafood	Oct. '90	1.52	4.76
76	8	Sonic Drive-In	Aug. '90	1.27	10.96
77	38	Sizzler	Apr. '91	0.98	5.15
78	74	Del Taco	Dec. '90	0.96	0.97
79	17	Marriott Food and Services Mgmt.	Dec. '90	0.95	9.49
80	90	Ponderosa	Feb. '91	0.90	– 1.49
81	61	Bennigan's	June '91	0.85	2.22
82	59	Luby's Cafeteria	Aug. '90	0.83	2.35
83	79	Tony Roma's	Feb. '91	0.75	0.70
84	32	Golden Corral	Dec. '90	0.74	6.19
85	30	Chick-fil-A	Dec. '90	0.70	6.29
86	58	Little Caesars Pizza	Dec. '90	0.69	2.58
87	69	McDonald's	Dec. '90	0.49	1.57
88	78	K mart	Jan. '91	0.38	0.76
89	82	Big Boy	Dec. '90	0.00	0.00
90	52	Bob Evans Farms	Apr. '91	0.00	3.70
91	93	Marie Callender's	Dec. '90	0.00	– 3.03
92	84	Roy Rogers	Dec. '90	0.00	0.00
93	85	Ruby Tuesday	May '91	0.00	0.00
94	86	Waffle House	June '91	0.00	0.00
95	96	Sportservice	Dec. '90	– 0.66	– 5.31
96	73	TCBY	Nov. '90	– 1.36	1.38
97	80	Dobbs International	Dec. '90	– 2.66	0.33
98	95	Marriott Hotels & Resorts	Dec. '90	– 6.45	– 4.53
99	87	Sheraton Hotels	Dec. '90	– 9.62	– 0.29
100	99	Ogden Allied Entertainment Servs.	Dec. '90	–14.29	– 9.68

Source: NRN Research.

TOP 100

TOP 100 CHAINS RANKED BY CURRENT-YEAR U.S. UNIT TOTALS

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units: Current	(Company – Franchise)		Last Full	(Company – Franchise)		Prior	(Company – Franchise)	
1	1	McDonald's	Dec. '90	8,650	1,815	6,835	8,270	1,751	6,519	7,907	1,758	6,149
2	3	Pizza Hut	Dec. '90	7,010	3,642	3,368	6,400	3,200	3,200	5,900	2,900	3,000
3	2	7-Eleven	Dec. '90	6,400	3,100	3,300	6,920	3,807	3,113	7,000	3,500	3,500
4	5	Domino's Pizza	Dec. '90	5,400	1,620	3,780	5,185	1,555	3,630	4,893	1,468	3,425
5	4	Burger King	Sept. '90	5,380	834	4,546	5,358	796	4,562	5,020	743	4,277
6	8	Subway	Dec. '90	5,030	30	5,000	3,920	24	3,896	2,819	29	2,790
7	6	Kentucky Fried Chicken	Dec. '90	4,964	1,366	3,598	4,961	1,364	3,597	4,923	1,286	3,637
8	7	Dairy Queen	Nov. '90	4,680	5	4,675	4,627	5	4,622	4,556	5	4,551
9	10	Hardee's	Dec. '90	3,548	1,136	2,412	3,298	1,086	2,212	3,151	1,070	2,081
10	9	Wendy's	Dec. '90	3,520	1,061	2,459	3,490	1,031	2,459	3,521	1,076	2,445
11	11	Taco Bell	Dec. '90	3,300	1,887	1,413	3,082	1,757	1,325	2,892	1,691	1,201
12	12	Little Caesars Pizza	Dec. '90	3,197	959	2,238	2,632	789	1,843	2,400	720	1,680
13	13	ARA Services/ARASERVE	Sept. '90	2,600	2,600	0	2,550	2,550	0	2,350	2,350	0
14	15	Arby's	Dec. '90	2,337	224	2,113	2,117	214	1,903	1,949	209	1,740
15	14	Baskin-Robbins	Dec. '90	2,320	178	2,142	2,354	178	2,176	2,500	186	2,314
16	16	Marriott Food and Services Management	Dec. '90	2,200	2,200	0	2,005	2,005	0	1,960	1,960	0
17	22	TCBY	Nov. '90	1,930	169	1,761	1,537	149	1,388	1,160	115	1,045
18	19	Dunkin' Donuts	Dec. '90	1,750	5	1,745	1,653	8	1,645	1,543	25	1,518
19	17	K mart	Jan. '91	1,750	1,750	0	1,730	1,730	0	1,710	1,710	0
20	18	Service America	Mar. '91	1,743	1,743	0	1,700	1,700	0	1,700	1,700	0
21	21	Canteen Corp.	Dec. '90	1,630	1,630	0	1,577	1,577	0	1,543	1,543	0
22	20	Holiday Inns	Dec. '90	1,578	177	1,401	1,582	176	1,406	1,526	174	1,352
23	23	Long John Silver's	June '91	1,523	1,010	513	1,483	1,005	478	1,465	1,002	463
24	24	Denny's	Dec. '90	1,334	981	353	1,274	1,001	273	1,234	1,001	233
25	25	Church's Fried Chicken	Oct. '90	1,196	752	444	1,111	807	304	1,363	992	371
26	26	Big Boy	Dec. '90	1,132	150	982	1,030	150	880	1,030	150	880
27	28	Jack in the Box	Sept. '90	1,048	645	403	986	605	381	957	637	320
28	27	Sonic Drive-in	Aug. '90	1020	90	930	1012	90	922	980	90	890
29	29	Morrison Custom Management	May '91	900	900	0	892	892	0	890	890	0
30	30	Friendly's Restaurants	Dec. '90	830	830	0	823	823	0	845	845	0
31	31	Popeye's Chicken	Oct. '90	776	130	646	739	113	626	715	102	613
32	34	Shoney's	Oct. '90	734	292	442	680	280	400	636	272	364
33	32	Ponderosa	Feb. '91	710	400	310	704	397	307	695	405	290
34	33	Waffle House	June '91	700	315	385	685	315	370	650	315	335
35	35	Roy Rogers	Dec. '90	648	363	285	648	363	285	577	351	226
36	37	Captain D's Seafood	Oct. '90	638	357	281	607	348	259	588	343	245
37	36	Sizzler	Apr. '91	636	196	440	628	192	426	587	182	405
38	38	Host International	Dec. '90	600	600	0	582	582	0	561	561	0
39	39	Carl's Jr.	Jan. '91	578	456	122	540	454	86	482	406	76
40	40	Round Table Pizza	June '91	560	0	560	540	0	540	525	0	525
41	42	Western Sizzlin'	Dec. '90	518	3	515	514	0	514	579	4	575
42	41	Godfather's Pizza	May '91	511	171	340	523	180	343	580	220	360
43	43	Bonanza	Feb. '91	502	2	500	510	2	508	612	2	610
44	47	International House of Pancakes	Dec. '90	501	53	448	480	56	424	458	57	401
45	46	Rax	July '91	493	141	342	498	140	358	500	140	360
46	48	Red Lobster	May '91	481	481	0	461	461	0	444	444	0
47	49	Whataburger	Sept. '90	475	296	179	438	274	164	417	258	159
48	44	Golden Corral	Dec. '90	470	435	35	501	490	11	505	495	10
49	54	Sbarro	Dec. '90	470	360	110	384	291	93	316	235	81
50	45	Ramada Inn	Dec. '90	459	15	444	498	14	484	501	13	488
51	50	Chick-fil-A	Dec. '90	445	445	0	411	411	0	386	386	0
52	51	Daka	June '91	420	420	0	400	400	0	400	400	0
53	55	Perkins Family Restaurants	Dec. '90	400	114	286	371	114	257	341	114	227
54	53	Seiler Corp.	Aug. '90	400	400	0	395	395	0	379	379	0
55	52	Del Taco	Dec. '90	393	267	126	399	270	129	396	264	132
56	56	Dobbs Houses	Dec. '90	380	380	0	363	363	0	350	350	0
57	57	Marriott Hotels & Resorts	Dec. '90	379	322	57	330	277	53	289	238	51
58	58	Sheraton Hotels	Dec. '90	338	56	282	321	53	268	340	54	286
59	65	Rally's	June '91	305	90	215	225	81	144	148	38	110
60	59	ServiceMaster Food Services	Dec. '90	282	282	0	265	265	0	256	256	0
61	60	Hilton Hotels	Dec. '90	269	51	218	261	48	213	270	45	225
62	62	Bob Evans Farms	Apr. '91	261	261	0	241	241	0	232	232	0
63	61	White Castle	Dec. '90	255	255	0	243	243	0	234	234	0
64	71	Olive Garden	May '91	250	250	0	200	200	0	155	155	0
65	68	Chili's Grill & Bar	June '91	247	183	64	211	161	50	174	137	37
66	64	Krystal	Dec. '90	245	235	10	230	230	0	232	232	0
67	73	El Pollo Loco	Dec. '90	236	119	117	192	96	96	120	80	40
68	63	Village Inn	Oct. '90	228	124	104	234	133	101	267	150	117
69	70	Chi-Chi's	Sept. '90	224	160	64	208	144	64	196	129	67
70	66	Bennigan's	June '91	223	223	0	223	223	0	222	222	0
71	67	Quincy's	Dec. '90	221	221	0	213	213	0	211	211	0
72	69	Shakey's	Dec. '90	216	1	215	210	1	209	224	2	222
73	72	Ground Round	Dec. '90	203	156	47	196	156	40	194	158	36
74	79	Radisson Hotels	Dec. '90	179	29	150	152	25	127	122	29	93
75	74	Morrison's	May '91	176	176	0	174	174	0	169	169	0
76	75	Bakers Square	Oct. '90	173	173	0	159	159	0	151	151	0
77	78	T.G.I. Friday's	Dec. '90	169	137	32	153	130	23	148	140	8
78	77	Marie Callender's	Dec. '90	163	83	80	157	81	76	145	75	70
79	76	Steak and Ale	June '91	159	158	1	159	158	1	160	159	1
80	80	Piccadilly	June '91	158	158	0	147	147	0	138	138	0
81	81	Ryan's	Dec. '90	153	120	33	141	110	31	122	96	26
82	84	Tony Roma's	Feb. '91	146	18	128	119	17	102	102	15	87
83	85	Ruby Tuesday	May '91	145	145	0	111	111	0	83	83	0
84	83	Luby's Cafeteria	Aug. '90	137	137	0	124	124	0	113	113	0
85	82	Furr's Cafeterias	Dec. '90	130	130	0	125	125	0	120	120	0
86	87	Hyatt Hotels	Jan. '91	109	109	0	101	101	0	91	91	0
87	86	El Torito	Dec. '90	105	104	1	103	102	1	101	100	1
88	88	Cracker Barrel	Aug. '91	103	103	0	88	88	0	73	73	0
89	90	Ogden Allied Entertainment Services	Dec. '90	102	102	0	80	80	0	69	69	0
90	89	Stuart Anderson's Black Angus	Dec. '90	84	84	0	84	84	0	84	84	0
91	91	Houlihan's	Dec. '90	77	62	15	69	56	13	64	55	9
92	92	Sportservice	Dec. '90	75	75	0	69	69	0	61	61	0
93	93	Dobbs International	Dec. '90	50	50	0	46	46	0	44	44	0
94	94	Concession Air	Dec. '90	47	47	0	45	45	0	43	43	0
95	95	Marriott In-Flite	Dec. '90	45	45	0	42	42	0	40	40	0
96	96	Harry M. Stevens	Dec. '90	40	40	0	40	40	0	37	37	0
97	97	Sky Chefs	Dec. '90	37	37	0	35	35	0	34	34	0
98	98	Westin Hotels	Dec. '90	34	34	0	34	34	0	33	33	0
99	99	Six Flags amusement parks	Dec. '90	7	7	0	7	7	0	7	7	0
100	100	Disney theme parks and hotels	Sept. '90	4	4	0	4	4	0	3	3	0
		TOTAL:		110,987	45,937	65,040	105,629	44,689	60,930	100,988	43,158	57,830

Source: NRN Research.

TOP 100

TOP 100 CHAINS RANKED BY SHARE OF TOP 100 MARKET

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Market Share, By Fiscal Year Current	Preceding	Prior
1	1	McDonald's	Dec. '90	14.64%	14.90%	15.26%
2	2	Burger King	Sept. '90	6.50	7.07	7.24
3	3	Pizza Hut	Dec. '90	4.20	4.02	3.87
4	5	Hardee's	Dec. '90	3.70	3.70	3.78
5	4	Kentucky Fried Chicken	Dec. '90	3.61	3.72	3.89
6	6	Wendy's	Dec. '90	3.50	3.51	3.65
7	7	Domino's Pizza	Dec. '90	2.97	3.10	3.08
8	9	Taco Bell	Dec. '90	2.97	2.48	2.15
9	8	Marriott Food and Servs. Mgmt.	Dec. '90	2.68	2.63	2.52
10	10	Dairy Queen	Nov. '90	2.26	2.40	2.47
11	17	Little Caesars Pizza	Dec. '90	1.71	1.40	1.22
12	11	Canteen Corp.	Dec. '90	1.68	1.72	1.78
13	12	ARA Services/ARASERVE	Sept. '90	1.67	1.67	1.74
14	13	Denny's	Dec. '90	1.66	1.67	1.70
15	14	Red Lobster	May '91	1.60	1.61	1.61
16	16	Service America	Mar. '91	1.55	1.45	1.42
17	15	Arby's	Dec. '90	1.47	1.51	1.47
18	18	Marriott Hotels & Resorts	Dec. '90	1.35	1.37	1.36
19	26	Subway	Dec. '90	1.28	0.97	0.66
20	19	Big Boy	Dec. '90	1.25	1.24	1.33
21	20	Hilton Hotels	Dec. '90	1.16	1.14	1.27
22	21	Sheraton Hotels	Dec. '90	1.15	1.13	1.31
23	24	Jack in the Box	Sept. '90	1.06	1.03	1.04
24	22	Shoney's	Oct. '90	1.06	1.07	1.07
25	27	Dunkin' Donuts	Dec. '90	1.00	0.95	0.91
26	23	Sizzler	Apr. '91	0.99	1.05	1.00
27	25	Long John Silver's	June '91	0.97	1.00	1.04
28	28	7-Eleven	Dec. '90	0.90	0.89	0.92
29	29	Ponderosa	Feb. '91	0.81	0.86	0.93
30	32	Marriott In-Flite	Dec. '90	0.75	0.71	0.73
31	30	Host International	Dec. '90	0.73	0.76	0.70
32	39	Disney theme parks and hotels	Sept. '90	0.69	0.61	0.54
33	34	Carl's Jr.	Jan. '91	0.68	0.68	0.64
34	45	Olive Garden	May '91	0.68	0.56	0.40
35	33	Friendly's Restaurants	Dec. '90	0.66	0.69	0.75
36	35	Holiday Inns	Dec. '90	0.65	0.68	0.68
37	36	Church's Fried Chicken	Oct. '90	0.65	0.66	0.54
38	37	Popeye's Chicken	Oct. '90	0.64	0.65	0.65
39	38	Bonanza	Feb. '91	0.59	0.65	0.77
40	40	Baskin-Robbins	Dec. '90	0.57	0.59	0.63
41	44	T.G.I. Friday's	Dec. '90	0.57	0.57	0.55
42	31	Roy Rogers	Dec. '90	0.57	0.72	0.76
43	48	Chili's Grill & Bar	June '91	0.56	0.51	0.45
44	42	Western Sizzlin'	Dec. '90	0.55	0.58	0.60
45	41	Bennigan's	June '91	0.54	0.58	0.61
46	46	Chi-Chi's	Sept. '90	0.53	0.53	0.54
47	47	Perkins Family Restaurants	Dec. '90	0.52	0.52	0.50
48	49	Sky Chefs	Dec. '90	0.51	0.50	0.51
49	43	Golden Corral	Dec. '90	0.50	0.58	0.61
50	50	Captain D's Seafood	Oct. '90	0.47	0.49	0.49
51	51	Sonic Drive-In	Aug. '90	0.47	0.48	0.46
52	54	Hyatt Hotels	Jan. '91	0.46	0.44	0.41
53	53	Int'l House of Pancakes	Dec. '90	0.45	0.45	0.42
54	52	Morrison Custom Management	May '91	0.45	0.48	0.46
55	55	Seiler Corp.	Aug. '90	0.45	0.43	0.41
56	61	TCBY	Nov. '90	0.43	0.37	0.28
57	58	Bob Evans Farms	Apr. '91	0.41	0.40	0.39
58	63	Ryan's	Dec. '90	0.40	0.37	0.31
59	69	Radisson Hotels	Dec. '90	0.39	0.34	0.29
60	56	Rax	July '91	0.39	0.41	0.44
61	59	K mart	Jan. '91	0.37	0.40	0.42
62	75	Tony Roma's	Feb. '91	0.36	0.32	0.29
63	60	Whataburger	Sept. '90	0.36	0.37	0.37
64	57	Ramada Inn	Dec. '90	0.36	0.41	0.42
65	67	Luby's Cafeteria	Aug. '90	0.36	0.35	0.34
66	65	Piccadilly	June '91	0.36	0.36	0.37
67	62	Round Table Pizza	June '91	0.35	0.37	0.36
68	64	Morrison's	May '91	0.34	0.36	0.40
69	68	White Castle	Dec. '90	0.34	0.35	0.38
70	66	Westin Hotels	Dec. '90	0.34	0.35	0.36
71	72	Chick-fil-A	Dec. '90	0.34	0.33	0.31
72	70	Dobbs International	Dec. '90	0.33	0.34	0.35
73	74	Ground Round	Dec. '90	0.33	0.33	0.33
74	73	Quincy's	Dec. '90	0.33	0.33	0.34
75	71	Waffle House	June '91	0.31	0.34	0.34
76	76	ServiceMaster Food Services	Dec. '90	0.31	0.30	0.28
77	87	Cracker Barrel	Aug. '91	0.30	0.27	0.23
78	81	Harry M. Stevens	Dec. '90	0.29	0.28	0.29
79	85	Bakers Square	Oct. '90	0.29	0.27	0.25
80	94	Sbarro	Dec. '90	0.29	0.24	0.21
81	79	Furr's Cafeterias	Dec. '90	0.28	0.29	0.29
82	82	Ogden Allied Ent. Services	Dec. '90	0.28	0.28	0.28
83	77	Godfather's Pizza	May '91	0.27	0.29	0.33
84	80	Marie Callender's	Dec. '90	0.27	0.29	0.28
85	78	Village Inn	Oct. '90	0.27	0.29	0.31
86	84	El Torito	Dec. '90	0.26	0.27	0.29
87	83	Steak and Ale	June '91	0.26	0.28	0.29
88	86	Stuart Anderson's Black Angus	Dec. '90	0.26	0.27	0.27
89	89	Sportservice	Dec. '90	0.26	0.26	0.26
90	88	Daka	June '91	0.26	0.26	0.28
91	96	Houlihan's	Dec. '90	0.25	0.24	0.24
92	99	El Pollo Loco	Dec. '90	0.25	0.21	0.16
93	92	Dobbs Houses	Dec. '90	0.25	0.24	0.27
94	95	Concession Air	Dec. '90	0.24	0.24	0.24
95	91	Shakey's	Dec. '90	0.24	0.25	0.26
96	100	Rally's	June '91	0.24	0.19	0.14
97	90	Del Taco	Dec. '90	0.24	0.25	0.27
98	97	Krystal	Dec. '90	0.23	0.23	0.24
99	98	Ruby Tuesday	May '91	0.23	0.22	0.17
100	93	Six Flags amusement parks	Dec. '90	0.23	0.24	0.25

Source: NRN Research.

TOP 100 CHAINS RANKED BY GROWTH IN TOTAL NUMBER OF U.S. UNITS

(year-to-year percentage change)

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Percentage Change '90 vs. '89	'89 vs. '88
1	2	Rally's	June '91	35.56%	52.03%
2	4	Ruby Tuesday	May '91	30.63	33.73
3	3	Subway	Dec. '90	28.32	39.06
4	13	Ogden Allied Entertainment Services	Dec. '90	27.50	15.94
5	6	TCBY	Nov. '90	25.57	32.50
6	7	Olive Garden	May '91	25.00	29.03
7	1	El Pollo Loco	Dec. '90	22.92	60.00
8	12	Tony Roma's	Feb. '91	22.69	16.67
9	9	Sbarro	Dec. '90	22.40	21.52
10	21	Little Caesars Pizza	Dec. '90	21.47	9.67
11	8	Radisson Hotels	Dec. '90	17.76	24.59
12	10	Chili's Grill & Bar	June '91	17.06	21.26
13	11	Cracker Barrel	Aug. '91	17.05	20.55
14	15	Marriott Hotels & Resorts	Dec. '90	14.85	14.19
15	28	Houlihan's	Dec. '90	11.59	7.81
16	20	Luby's Cafeteria	Aug. '90	10.48	9.73
17	56	T.G.I. Friday's	Dec. '90	10.46	3.38
18	23	Arby's	Dec. '90	10.39	8.62
19	79	Big Boy	Dec. '90	9.90	0.00
20	66	Marriott Food and Servs. Management	Dec. '90	9.73	2.30
21	25	Pizza Hut	Dec. '90	9.53	8.47
22	39	Bakers Square	Oct. '90	8.81	5.30
23	46	Dobbs International	Dec. '90	8.70	4.55
24	16	Sportservice	Dec. '90	8.70	13.11
25	14	Ryan's	Dec. '90	8.51	15.57
26	40	Whataburger	Sept. '90	8.45	5.04
27	49	Bob Evans Farms	Apr. '91	8.30	3.88
28	35	Chick-fil-A	Dec. '90	8.27	6.48
29	31	Shoney's	Oct. '90	7.94	6.92
30	19	Hyatt Hotels	Jan. '91	7.92	10.99
31	22	Perkins Family Restaurants	Dec. '90	7.82	8.80
32	36	Chi-Chi's	Sept. '90	7.69	6.12
33	100	Church's Fried Chicken	Oct. '90	7.65	−18.49
34	43	Hardee's	Dec. '90	7.58	4.67
35	34	Piccadilly	June '91	7.48	6.52
36	41	Marriott In-Flite	Dec. '90	7.14	5.00
37	33	Taco Bell	Dec. '90	7.07	6.57
38	18	Carl's Jr.	Jan. '91	7.04	12.03
39	88	Krystal	Dec. '90	6.52	− 0.86
40	55	ServiceMaster Food Services	Dec. '90	6.42	3.52
41	61	Jack in the Box	Sept. '90	6.29	3.03
42	29	Dunkin' Donuts	Dec. '90	5.87	7.13
43	64	Sky Chefs	Dec. '90	5.71	2.94
44	93	Sheraton Hotels	Dec. '90	5.30	− 5.59
45	60	Captain D's Seafood	Oct. '90	5.11	3.23
46	57	Popeye's Chicken	Oct. '90	5.01	3.36
47	80	Daka	June '91	5.00	0.00
48	50	White Castle	Dec. '90	4.94	3.85
49	59	Denny's	Dec. '90	4.71	3.24
50	53	Dobbs Houses	Dec. '90	4.68	3.71
51	45	McDonald's	Dec. '90	4.59	4.59
52	44	Concession Air	Dec. '90	4.44	4.65
53	42	International House of Pancakes	Dec. '90	4.38	4.80
54	51	Red Lobster	May '91	4.34	3.83
55	37	Domino's Pizza	Dec. '90	4.15	5.97
56	48	Furr's Cafeterias	Dec. '90	4.00	4.17
57	26	Marie Callender's	Dec. '90	3.82	8.28
58	74	Quincy's	Dec. '90	3.76	0.95
59	65	Round Table Pizza	June '91	3.70	2.86
60	73	Ground Round	Dec. '90	3.57	1.03
61	67	Canteen Corp.	Dec. '90	3.36	2.20
62	52	Host International	Dec. '90	3.09	3.74
63	92	Hilton Hotels	Dec. '90	3.07	− 3.33
64	95	Shakey's	Dec. '90	2.86	− 6.25
65	71	Long John Silver's	June '91	2.70	1.23
66	81	Service America	Mar. '91	2.53	0.00
67	38	Waffle House	June '91	2.19	5.38
68	24	ARA Services/ARASERVE	Sept. '90	1.96	8.51
69	68	El Torito	Dec. '90	1.94	1.98
70	30	Sizzler	Apr. '91	1.27	6.98
71	47	Seiler Corp.	Aug. '90	1.27	4.22
72	72	K mart	Jan. '91	1.16	1.17
73	63	Morrison's	May '91	1.15	2.96
74	69	Dairy Queen	Nov. '90	1.15	1.56
75	78	Morrison Custom Management	May '91	0.90	0.22
76	89	Wendy's	Dec. '90	0.86	− 0.88
77	70	Ponderosa	Feb. '91	0.85	1.29
78	91	Friendly's Restaurants	Dec. '90	0.85	− 2.60
79	58	Sonic Drive-In	Aug. '90	0.79	3.27
80	97	Western Sizzlin'	Dec. '90	0.78	−11.23
81	32	Burger King	Sept. '90	0.41	6.73
82	75	Kentucky Fried Chicken	Dec. '90	0.06	0.77
83	77	Bennigan's	June '91	0.00	0.45
84	5	Disney theme parks and hotels	Sept. '90	0.00	33.33
85	27	Harry M. Stevens	Dec. '90	0.00	8.11
86	17	Roy Rogers	Dec. '90	0.00	12.31
87	82	Six Flags amusement parks	Dec. '90	0.00	0.00
88	86	Steak and Ale	June '91	0.00	− 0.63
89	83	Stuart Anderson's Black Angus	Dec. '90	0.00	0.00
90	62	Westin Hotels	Dec. '90	0.00	3.03
91	54	Holiday Inns	Dec. '90	− 0.25	3.67
92	84	Rax	July '91	− 1.00	− 0.40
93	94	Baskin-Robbins	Dec. '90	− 1.44	− 5.84
94	76	Del Taco	Dec. '90	− 1.50	0.76
95	99	Bonanza	Feb. '91	−1.57	−16.67
96	96	Godfather's Pizza	May '91	− 2.29	− 9.83
97	98	Village Inn	Oct. '90	− 2.56	−12.36
98	87	Golden Corral	Dec. '90	− 6.19	− 0.79
99	90	7-Eleven	Dec. '90	− 7.51	− 1.14
100	85	Ramada Inn	Dec. '90	− 7.83	− 0.60

Source: NRN Research.

TOP 100

TOP 100 CHAINS RANKED BY GROWTH IN U.S. FRANCHISE UNITS
(year-to-year percentage change)

Rank 1990	Rank 1989	Chain	Fiscal Year Ends	Current Total Units	Franchise Units	Franch. Unit % Change '90 vs. '89	Franch. Unit % Change '89 vs. '88
1	20	Golden Corral	Dec. '90	470	35	218.18%	10.00%
2	8	Rally's	June '91	305	215	49.31	30.91
3	61	Church's Fried Chicken	Oct. '90	1,196	444	46.05	– 18.06
4	16	Carl's Jr.	Jan. '91	578	122	41.86	13.16
5	1	T.G.I. Friday's	Dec. '90	169	32	39.13	187.50
6	13	Denny's	Dec. '90	1,334	353	29.30	17.17
7	4	Subway	Dec. '90	5,030	5,000	28.34	39.64
8	6	Chili's Grill & Bar	June '91	247	64	28.00	35.14
9	7	TCBY	Nov. '90	1,930	1,761	26.87	32.82
10	12	Tony Roma's	Feb. '91	146	128	25.49	17.24
11	2	El Pollo Loco	Dec. '90	236	117	21.88	140.00
12	22	Little Caesars Pizza	Dec. '90	3,197	2,238	21.43	9.70
13	14	Sbarro	Dec. '90	470	110	18.28	14.81
14	5	Radisson Hotels	Dec. '90	19	150	18.11	36.56
15	17	Ground Round	Dec. '90	203	47	17.50	11.11
16	3	Houlihan's	Dec. '90	77	15	15.38	44.44
17	44	Big Boy	Dec. '90	1,132	982	11.59	0.00
18	15	Perkins Family Restaurants	Dec. '90	400	286	11.28	13.22
19	23	Arby's	Dec. '90	2,337	2,113	11.04	9.37
20	21	Shoney's	Oct. '90	734	442	10.50	9.89
21	39	Whataburger	Sept. '90	475	179	9.15	3.14
22	28	Hardee's	Dec. '90	3,548	2,412	9.04	6.30
23	33	Captain D's Seafood	Oct. '90	638	281	8.49	5.71
24	36	Marriott Hotels & Resorts	Dec. '90	379	57	7.55	3.92
25	38	Long John Silver's	June '91	1,523	513	7.32	3.24
26	19	Taco Bell	Dec. '90	3,300	1,413	6.64	10.32
27	10	Ryan's	Dec. '90	153	33	6.45	19.23
28	25	Dunkin' Donuts	Dec. '90	1,750	1,745	6.08	8.37
29	58	7-Eleven	Dec. '90	6,400	3,300	6.01	– 11.06
30	11	Jack in the Box	Sept. '90	1,048	403	5.77	19.06
31	32	International House of Pancakes	Dec. '90	501	448	5.66	5.74
32	24	Marie Callender's	Dec. '90	163	80	5.26	8.57
33	26	Pizza Hut	Dec. '90	7,010	3,368	5.25	6.67
34	56	Sheraton Hotels	Dec. '90	338	282	5.22	– 6.29
35	29	McDonald's	Dec. '90	8,650	6,835	4.85	6.02
36	30	Domino's Pizza	Dec. '90	5,400	3,780	4.13	5.99
37	18	Waffle House	June '91	700	385	4.05	10.45
38	40	Round Table Pizza	June '91	560	560	3.70	2.86
39	34	Sizzler	Apr. '91	636	440	3.29	5.19
40	41	Popeye's Chicken	Oct. '90	776	646	3.19	2.12
41	59	Village Inn	Oct. '90	226	104	2.97	– 13.68
42	54	Shakey's	Dec. '90	216	215	2.87	– 5.86
43	53	Hilton Hotels	Dec. '90	269	218	2.35	– 5.33
44	42	Dairy Queen	Nov. '90	4,680	4,675	1.15	1.56
45	31	Ponderosa	Feb. '91	710	310	0.98	5.86
46	37	Sonic Drive-In	Aug. '90	1020	930	0.87	3.60
47	57	Western Sizzlin'	Dec. '90	518	515	0.19	– 10.61
48	49	Kentucky Fried Chicken	Dec. '90	4,964	3,598	0.03	– 1.10
49	51	Chi-Chi's	Sept. '90	224	64	0.00	– 4.48
50	45	El Torito	Dec. '90	105	1	0.00	0.00
51	9	Roy Rogers	Dec. '90	648	285	0.00	26.11
52	46	Steak and Ale	June '91	159	1	0.00	0.00
53	43	Wendy's	Dec. '90	3,520	2,459	0.00	0.57
54	27	Burger King	Sept. '90	5,380	4,546	– 0.35	6.66
55	35	Holiday Inns	Dec. '90	1,578	1,401	– 0.36	3.99
56	52	Godfather's Pizza	May '91	511	340	– 0.87	– 4.72
57	55	Baskin-Robbins	Dec. '90	2,320	2,142	– 1.56	– 5.96
58	60	Bonanza	Feb. '91	502	500	– 1.57	– 16.72
59	50	Del Taco	Dec. '90	393	126	– 2.33	– 2.27
60	47	Rax	July '91	493	342	– 4.47	– 0.56
61	48	Ramada Inn	Dec. '90	459	444	– 8.26	– 0.82

Note: The 39 Top 100 chains not represented on this table do not franchise, with the exception of Krystal. From '89 to '90 Krystal's franchise system grew from zero to 10 units (of its total 245 units), a growth rate inexpressible as a percentage.

Questions & answers on the Top 100

Publication of the Top 100 issue usually tests the durability of NRN's switchboard by drawing a flood of inquiries about the rankings and how they were drafted. What follows are answers to some of the most frequently asked questions.

Q: Why wasn't my chain or company included in the listings?
A: Unless a chain generated at least $201.7 million in domestic systemwide sales, it will not appear on any of the Top 100 Chains listings. Similarly, a company had to generate at least $107.0 million in foodservice revenues — not total intake — to appear on the Top 100 Companies ranking.

Q: But my chain has more units than some of the chains included on the Top 100 ranking by number of units. Why wasn't it included on that lists?
A: Only the Top 100 chains, as ranked by systemwide sales, are ranked by such other criteria as number of units and sales per unit. In other words, the universe for those rankings is limited to those chains that appear on Top 100 Chains By Systemwide Sales ranking.

Q: My chain's per-unit sales average exceeds my competitor's averages, yet you listed them on segment rankings and omitted us. Shouldn't we be on those rankings?
A: Here again, only those chains appearing on the Top 100 chains ranking are included in the segment breakouts.

Q: My chain appears on every other industry sales rankings. How could it qualify for those and yet not make your list?
A: Each ranking uses different criteria. We believe that the Top 100 is the industry's most reliable listing because of our rigid adherence to strict standards.

Q: My company's revenues far exceed the tally for many of the chains on the Top 100 Companies ranking, and yet you omitted my concern. Why?
A: Companies were included on the Top 100 Companies list because of their foodservice revenues, not their total revenues. Proceeds from all other types of businesses — including distribution operations — were excluded from the figures.

Q: My chain's domestic systemwide sales are indeed higher than the totals for other chains on the Top 100 Chains ranking. Why wasn't it included?
A: Perhaps it should have been. We might have overlooked it during our research, or might have underestimated your growth in our projections for the coming year.
In any case, please help us avoid our mistake next year by providing us with the name and address of someone we can contact for information. Because the preparation of next year's Top 100 section will begin soon, please promptly send the information to: Top 100 Editor, Nation's Restaurant News, 425 Park Avenue, New York, N.Y. 10022.

Q: How do systemwide sales differ from revenues?
A: Systemwide sales consist of the intake of every company-owned and franchised outlet within a chain or multi-unit operation such as a contract feeder. Revenues are limited to a company's intake from its company-run units and franchise royalties.
For example, the intake of every McDonald's unit in the United States constitutes that chain's systemwide sales. But revenues for McDonald's Corp. are limited to the intake of company units and franchise royalties.

Q: What is reflected in the share-of-market figures?
A: Within our context, "share of market" means "share of the Top 100 sales totals." In other words, if a chain has a 3-percent share of market, that chain accounted for 3 percent of the systemwide-sales total for all chains included in the Top 100 ranking. It does not mean that the chain garnered 3 percent of total industry sales.
In the segment charts, the share-of-market chart lists major players' proportion of the sales generated by Top 100 chains competing within that sector.

Q: Where can I write to air comments and criticisms of the Top 100 rankings?
A: Address correspondence to Top 100 Editor, Nation's Restaurant News, 425 Park Avenue, New York, N.Y. 10022.

TOP 100

PIZZA CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions) Current	Last full	Prior
1	1	Pizza Hut	Dec. '90	$3,680.0	$3,240.0	$2,890.0
2	2	Domino's Pizza	Dec. '90	2,600.0	2,500.0	2,300.0
3	3	Little Caesars Pizza	Dec. '90	1,500.0	1,130.0	908.0
4	4	Round Table Pizza	June '91	311.0	295.0	267.0
5	7	Sbarro	Dec. '90	250.0	196.0	154.0
6	5	Godfather's Pizza	May '91	240.0	236.0	245.0
7	6	Shakey's	Dec. '90	211.0	202.5	191.0
		TOTAL:		$8,792.0	$7,799.5	$6,955.0

Source: NRN Research.

PIZZA CHAINS RANKED BY SALES PER UNIT

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands) Current	Last full	Prior
1	1	Shakey's	Dec. '90	$655.0	$645.0	$640.0
2	2	Pizza Hut	Dec. '90	593.0	581.0	572.0
3	3	Sbarro	Dec. '90	575.0	560.0	540.0
4	4	Domino's Pizza	Dec. '90	520.0	487.0	441.0
5	5	Godfather's Pizza	May '91	450.0	440.0	414.0
6	6	Little Caesars Pizza	Dec. '90	440.0	437.0	426.0
7	7	Round Table Pizza	June '91	311.0	296.0	267.0
		AVERAGE:		$506.3	$492.3	$471.4

Source: NRN Research.

PIZZA CHAINS RANKED BY NUMBER OF U.S. UNITS

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current	Last Full	Prior
1	1	Pizza Hut	Dec. '90	7,010	6,400	5,900
2	2	Domino's Pizza	Dec. '90	5,400	5,185	4,893
3	3	Little Caesars Pizza	Dec. '90	3,197	2,632	2,400
4	4	Round Table Pizza	June '91	560	540	525
5	5	Godfather's Pizza	May '91	511	523	580
6	6	Sbarro	Dec. '90	470	384	316
7	7	Shakey's	Dec. '90	216	210	224
		TOTAL:		17,364	15,874	14,838

Source: NRN Research.

PIZZA CHAINS RANKED BY TOP 100 MARKET SHARE

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Annual Market Share Current	Last Full	Prior
1	1	Pizza Hut	Dec. '90	41.86%	41.54%	41.55%
2	2	Domino's Pizza	Dec. '90	29.57	32.05	33.07
3	3	Little Caesars Pizza	Dec. '90	17.06	14.49	13.06
4	4	Round Table Pizza	June '91	3.54	3.78	3.84
5	7	Sbarro	Dec. '90	2.84	2.51	2.21
6	5	Godfather's Pizza	May '91	2.73	3.03	3.52
7	6	Shakey's	Dec. '90	2.40	2.60	2.75

Source: NRN Research.

Red-hot pizza chains blister competition

The 'Big Three' pizzamakers explore new niches in bid to maintain dominance while rivals continue to battle for a bigger slice of the pie

by Milford Prewitt

The fastest-growing segment in the restaurant business is — to the surprise of no one — also among the industry's biggest newsmakers.

After topping hamburger three years ago as a growth leader in foodservice, pizza enters the 1990s as bullish as traders of a hot stock: Everybody wants a share, and those who have a few want more.

Major repositionings in market strategy and even, potentially, in corporate ownership portend a different look for the pizza industry during the balance of the decade. Meanwhile, the segment's three dominant chains — Pizza Hut, Domino's and Little Caesars — seem poised to continue their supremacy.

But the Big Three's hegemony in the 1990s faces some significant challenges, and those threats stem from the steady stream of news that emanates from the segment. Among the developments that bear ongoing scrutiny:

- Domino's new Pizzazz! concept, which breaks with tradition by giving the chain a table-service restaurant concept. Perhaps even more dramatically, Domino's has found a marketing partner in Burger King, which will sell Domino's products in test outlets of the giant Burger King system.
- The question mark called McDonald's and its continued flirtation with "McPizza" in four test markets.
- Pizza Hut's intention to shift emphasis from traditional red-roof restaurant development and open more delivery and carryout units — its so-called delco outlets — thereby eating into Domino's home-delivery terrain.
- The comeback of ShowBiz Pizza and Chuck E. Cheese's Pizza Time Theatre, subsidiaries of ShowBiz Pizza Time Inc., once poorly executed concepts that are currently rebounding on the strengths of heightened attention from consumers and investors.
- The rapid growth of Little Caesars, which emerges as the 11th-highest-grossing chain in NRN's 1990 Top 100 ranking, from No. 17 a year ago.
- Pizza Inn's emergence from bankruptcy and the chain's aggressive expansion plans, which include a vigorous thrust overseas.
- The continued margin erosions from incessant discounting, as two-for-one deals prevail throughout the segment.
- The expansion plans announced by some eight small but regionally dominant and entrenched pizza chains, companies whose total units will swell to 2,700 if their 1990 growth plans come to fruition.

With so many players investing in the segment, some are already voicing concern that pizza, like the once dominant hamburger category, is in danger of being overstored, with little room to fuel future sales growth.

"Pizza has been hot for a long while now, and it has grown faster than any other segment," says Bob O'Brien, an analyst with Chicago-based NPD CREST. "But it has grown so fast that it is beginning to reach a point where the rate of growth will begin slowing."

According to CREST data, pizza-segment sales are expected to rise about 19 percent in 1990, to $19 billion. The seven major pizza chains in the NRN Top 100 — Pizza Hut, Domino's, Little Caesars, Round Table, Sbarro, Godfather's and Shakey's — had combined systemwide sales of nearly $8.8 billion, or 46 percent of the $19 billion CREST tracked.

But the growth of the segment can perhaps best be tracked when it is compared with the growth rate of the burger segment.

To be sure, when examined on the basis of broad, systemwide indices, hamburger still reigns supreme, based on average per-unit sales, aggregate systemwide sales and number of units.

A modular Pizza Hut delco-delivery carryout unit.

Eighteen hamburger and sandwich chains made it into the 1990 Top 100 rankings, vs. seven pizza chains. Those 18 sandwich chains operated a total of 41,905 units, in contrast with 17,364 pizza outlets. When the systemwide sales of the sandwich chains are merged, they add up to nearly $35.9 billion in 1990, compared with the Top 100 pizza segment's total sales of $8.8 billion.

But pizza's ascendance over the sandwich segment shows up clearly in comparisons of the aggregate annualized growth rates of both camps.

The sandwich chains' systemwide-sales growth rate was 7.7 percent from 1989 to 1990. In the two-year span between 1988 and 1990, NRN's Top 100 sandwich chains grew 16.1 percent.

But pizza chains in the Top 100 posted an aggregate year-to-year rate of growth of 12.7 percent from 1989 to 1990. And, in the two-year span from 1988 to 1990, combined pizza-segment sales rose 26.4 percent.

One factor leading to the growing consumption of the product is the increasing popularity of off-premises dining. Given the delivery and takeout experience of Domino's and Little Caesars and factoring in Pizza Hut's delco-unit expansion, off-premises pizza dining appears ripe for continued growth. The pizza segment's off-premises sales infrastructure also dovetails with the convenience demands of home diners who are, to quote a popular buzz phase of lifestyle demographers, "cash rich but time poor."

Still, pizza's greatest selling point may be its broad appeal.

"I expect the segment to continue to grow at a high rate, and one reason for that is that pizza enjoys an exceptionally broad demographic base," says Nancy Kruse, an analyst with the Technomic foodservice research and consulting group in Chicago.

Pizza "crosses all age groups, income levels, sexes, regions," Kruse adds, noting that "with off-premises consumption growing faster than on-premises consumption, operators have a unique opportunity to reach new customers."

TOP 100

DINNER-HOUSE CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions) Current	Last full	Prior
1	1	Red Lobster	May '91	$1,400.0	$1,300.0	$1,200.0
2	4	Olive Garden	May '91	600.0	450.0	300.0
3	3	T.G.I. Friday's	Dec. '90	502.0	460.0	412.0
4	6	Chili's Grill & Bar	June '91	488.0	410.0	332.0
5	2	Bennigan's	June '91	475.0	471.0	458.7
6	5	Chi-Chi's	Sept. '90	468.6	430.5	402.9
7	8	Tony Roma's	Feb. '91	318.2	257.4	219.1
8	7	Ground Round	Dec. '90	290.0	262.7	248.1
9	10	El Torito	Dec. '90	231.8	218.1	214.8
10	9	Steak and Ale	June '91	230.0	223.8	214.4
11	11	Stuart Anderson's Black Angus	Dec. '90	228.0	216.0	203.8
12	12	Houlihan's	Dec. '90	222.7	190.2	179.6
13	13	Ruby Tuesday	May '91	204.0	173.5	125.8
		TOTAL:		$5,658.3	$5,063.2	$4,511.2

Source: NRN Research.

DINNER-HOUSE CHAINS RANKED BY SALES PER UNIT

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands) Current	Last full	Prior
1	1	T.G.I. Friday's	Dec. '90	$3,400.0	$3,300.0	$3,025.0
2	2	Houlihan's	Dec. '90	3,119.0	3,030.0	2,846.0
3	3	Red Lobster	May '91	3,050.0	2,990.0	2,830.0
4	4	Olive Garden	May '91	2,800.0	2,700.0	2,600.0
5	5	Stuart Anderson's Black Angus	Dec. '90	2,710.0	2,571.0	2,399.0
6	6	Chi-Chi's	Sept. '90	2,676.0	2,517.0	2,412.0
7	9	El Torito	Dec. '90	2,310.0	2,135.0	2,090.0
8	8	Chili's Grill & Bar	June '91	2,200.0	2,150.0	2,000.0
9	7	Tony Roma's	Feb. '91	2,179.5	2,163.3	2,148.2
10	10	Bennigan's	June '91	2,130.0	2,112.1	2,066.2
11	11	Ruby Tuesday	May '91	1,700.0	1,700.0	1,700.0
12	13	Ground Round	Dec. '90	1,450.0	1,347.0	1,279.0
13	12	Steak and Ale	June '91	1,446.5	1,407.5	1,340.0
		AVERAGE:		$2,397.8	$2,317.1	$2,210.4

Source: NRN Research.

Dinner houses lure aging baby boomers

Discriminating diners are turning away from fast food and fine dining and toward this midscale segment as they seek more bang for fewer bucks

by Paul Frumkin

As the 30-something generation continues to mature and its once-torrid love affairs with both fast food and fine dining cool, the midscale dinner-house segment is poised for a boom in sales and traffic.

"There is a very positive outlook for the midscale segment," explains Steven Rockwell, an analyst with Alex. Brown & Sons in Baltimore. "It's going to be the most attractive segment of the industry during the 1990s."

But even while experts are predicting a bright future, many of the chains in this field are already registering above-average results.

A study that was conducted by NPD CREST, the Park Ridge, Ill.-based foodservice research firm, shows that the dinner houses outperformed the industry as a whole during the past year.

Traffic for the category rose 7 percent for the year ended May 1990, easily surpassing the increase of 3 percent logged for the entire industry during the same period. At the same time, segment sales jumped 12 percent for the year ended May 1990 — nearly double the 7-percent increase logged by the industry as whole during that time.

Experts point to changing demographic and social trends as the source of the dinner houses' newly found popularity. They say that a strange brew of increased expectations and decreased discretionary income is helping to make such chains as Red Lobster, Olive Garden, Chili's, T.G.I. Friday's and Bennigan's the restaurants of choice for the aging baby boomers.

In many cases customers are continuing to trade up from the all-American burger-and-fries experience of the past two decades, leaving previously invincible fast feeders to scramble for a somewhat-diminished clientele. "As people get older, they eat less in fast-food restaurants," observes Michael Mueller, an analyst for Montgomery Securities in San Francisco.

That trend was borne out in the extreme in the 1980s when free-spending DINKS — defined by pop demographers as "double-income, no-kids" couples — fueled the fine-dining explosion by spending lavishly at each new high-ticket restaurant that opened.

But with the decision to start families, those affluent boomers found they needed to restrict their amount of discretionary spending dramatically. Moreover, many had grown weary with the formality of fine-dining restaurants.

So, accustomed to both the convenience of the fast-food operations and the more sophisticated menus and table service of the upscale restaurants, the boomers began to turn to a market segment that offered something of both. Dinner houses, which also feature more moderate prices, were increasingly favored.

Red Lobster, which is one of the few restaurants of choice for aging baby boomers.

"Dinner houses offer good variety and good value," agrees Ron Paul, president of Chicago-based Technomics Inc. "They are filling a major consumer need."

The segment is by no means monolithic in its thinking, however. Different operational strategies are employed by each chain. For example, while customers expect dinner houses to offer diversified fare, approaches to menuing differ from concept to concept. General Mills' two high-energy growth vehicles, Red Lobster and Olive Garden, opt for menu promotions and limited seasonal additions rather than roll-outs of revamped menus three or four times a year.

At Red Lobster, six to eight major food promotions are featured annually, of which Lobster Fest is one of the most popular. At the same time various seafood combination plates are also offered, based on supply.

Olive Garden follows much the same policy, implementing such limited-time menu events as the popular "Carnival of Venice," which showcased

(See DINNER HOUSE, page 95)

DINNER-HOUSE CHAINS RANKED BY NUMBER OF U.S. UNITS

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current	Last Full	Prior
1	1	Red Lobster	May '91	481	461	444
2	5	Olive Garden	May '91	250	200	155
3	3	Chili's Grill & Bar	June '91	247	211	174
4	4	Chi-Chi's	Sept. '90	224	208	196
5	2	Bennigan's	June '91	223	223	222
6	6	Ground Round	Dec. '90	203	196	194
7	8	T.G.I. Friday's	Dec. '90	169	153	148
8	7	Steak and Ale	June '91	159	159	160
9	9	Tony Roma's	Feb. '91	146	119	102
10	10	Ruby Tuesday	May '91	145	111	83
11	11	El Torito	Dec. '90	105	103	101
12	12	Stuart Anderson's Black Angus	Dec. '90	84	84	84
13	13	Houlihan's	Dec. '90	77	69	64
		TOTAL:		2,513	2,297	2,127

Source: NRN Research.

DINNER-HOUSE CHAINS RANKED BY TOP 100 MARKET SHARE

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Annual Market Share Current	Last Full	Prior
1	1	Red Lobster	May '91	24.74%	25.68%	26.60%
2	4	Olive Garden	May '91	10.60	8.89	6.65
3	3	T.G.I. Friday's	Dec. '90	8.87	9.09	9.13
4	6	Chili's Grill & Bar	June '91	8.62	8.10	7.36
5	2	Bennigan's	June '91	8.39	9.30	10.17
6	5	Chi-Chi's	Sept. '90	8.28	8.50	8.93
7	8	Tony Roma's	Feb. '91	5.62	5.08	4.86
8	7	Ground Round	Dec. '90	5.13	5.19	5.50
9	10	El Torito	Dec. '90	4.10	4.31	4.76
10	9	Steak and Ale	June '91	4.06	4.42	4.75
11	11	Stuart Anderson's Black Angus	Dec. '90	4.03	4.27	4.52
12	12	Houlihan's	Dec. '90	3.94	3.76	3.98
13	13	Ruby Tuesday	May '91	3.61	3.43	2.79

Source: NRN Research.

TOP 100

FAMILY CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions) Current	Last full	Prior
1	1	Denny's	Dec. '90	$1,451.4	$1,346.9	$1,267.9
2	2	Big Boy	Dec. '90	1,100.0	1,000.0	994.0
3	3	Shoney's	Oct. '90	927.0	862.4	798.6
4	4	Friendly's Restaurants	Dec. '90	581.0	557.0	563.0
5	5	Perkins Family Restaurants	Dec. '90	457.0	423.0	375.0
6	6	Int'l House of Pancakes	Dec. '90	398.0	359.0	315.0
7	7	Bob Evans Farms	Apr. '91	359.8	322.3	293.5
8	8	Waffle House	June '91	274.0	270.5	256.7
9	12	Cracker Barrel	Aug. '91	265.0	215.0	169.5
10	11	Bakers Square	Oct. '90	250.0	216.8	189.4
11	10	Marie Callender's	Dec. '90	240.0	230.0	210.0
12	9	Village Inn	Oct. '90	240.0	234.6	229.7
		TOTAL:		$6,543.2	$6,037.5	$5,662.3

Source: NRN Research.

FAMILY CHAINS RANKED BY SALES PER UNIT

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands) Current	Last full	Prior
1	1	Cracker Barrel	Aug. '91	$2,800.0	$2,700.0	$2,100.0
2	2	Marie Callender's	Dec. '90	1,600.0	1,600.0	1,650.0
3	4	Bakers Square	Oct. '90	1,550.0	1,424.0	1,294.0
4	3	Shoney's	Oct. '90	1,525.0	1,453.0	1,371.0
5	5	Bob Evans Farms	Apr. '91	1,400.0	1,400.0	1,350.0
6	6	Perkins Family Restaurants	Dec. '90	1,330.0	1,300.0	1,200.0
7	7	Denny's	Dec. '90	1,177.0	1,123.0	1,069.0
8	8	Village Inn	Oct. '90	1,150.0	1,054.0	919.0
9	9	Big Boy	Dec. '90	1,000.0	1,000.0	1,000.0
10	10	Int'l House of Pancakes	Dec. '90	794.0	747.0	688.0
11	11	Friendly's Restaurants	Dec. '90	700.0	685.0	675.0
12	12	Waffle House	June '91	395.0	395.0	395.0
		AVERAGE:		$1,285.1	$1,240.1	$1,142.6

Source: NRN Research.

FAMILY CHAINS RANKED BY NUMBER OF U.S. UNITS

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current	Last Full	Prior
1	1	Denny's	Dec. '90	1,334	1,274	1,234
2	2	Big Boy	Dec. '90	1,132	1,030	1,030
3	3	Friendly's Restaurants	Dec. '90	830	823	845
4	5	Shoney's	Oct. '90	734	680	636
5	4	Waffle House	June '91	700	685	650
6	6	International House of Pancakes	Dec. '90	501	480	458
7	7	Perkins Family Restaurants	Dec. '90	400	371	341
8	8	Bob Evans Farms	Apr. '91	261	241	232
9	9	Village Inn	Oct. '90	228	234	267
10	10	Bakers Square	Oct. '90	173	159	151
11	11	Marie Callender's	Dec. '90	163	157	145
12	12	Cracker Barrel	Aug. '91	103	88	73
		TOTAL:		6,559	6,222	6,062

Source: NRN Research.

FAMILY CHAINS RANKED BY TOP 100 MARKET SHARE

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Annual Market Share Current	Last Full	Prior
1	1	Denny's	Dec. '90	22.18%	22.31%	22.39%
2	2	Big Boy	Dec. '90	16.81	16.56	17.55
3	3	Shoney's	Oct. '90	14.17	14.28	14.10
4	4	Friendly's Restaurants	Dec. '90	8.88	9.23	9.94
5	5	Perkins Family Restaurants	Dec. '90	6.98	7.01	6.62
6	6	International House of Pancakes	Dec. '90	6.08	5.95	5.56
7	7	Bob Evans Farms	Apr. '91	5.50	5.34	5.18
8	8	Waffle House	June '91	4.19	4.48	4.53
9	12	Cracker Barrel	Aug. '91	4.05	3.56	2.99
10	11	Bakers Square	Oct. '90	3.82	3.59	3.34
11	10	Marie Callender's	Dec. '90	3.67	3.81	3.71
12	9	Village Inn	Oct. '90	3.67	3.89	4.06

Source: NRN Research.

Family feeders woo maturing market

Focus on value, service and three meals a day puts family restaurants back on the 'in' list, but competition looms in form of budget steak and dinner houses

by Carolyn Walkup

Family restaurants are emerging as strong contenders in the battle to capture aging baby boomers who seem to be defecting increasingly from fast food.

"There is a theory that says as the population ages, [people] will be less interested in fast food and more interested in good service and good price-value," says analyst Nancy Kruse of Technomic Inc. in Chicago. Thus, family-restaurant chains "could be nicely positioned for the future."

"A few years ago this segment was perceived as out of it," remarks Bob O'Brien of the NPD CREST research firm, in Park Ridge, Ill. "Family restaurants are showing some relative health, certainly better than in the mid-1980s."

Roger Lipton of the Ladenburg, Thalmann investment research firm in New York, concurs that "the segment is doing relatively well because of aging baby boomers who are going there. The future looks increasingly attractive to these operators."

Although family chains may feel less threatened by fast-food rivals, other industry segments could pose rising risks. Kruse and Michael Mueller, an analyst at Montgomery Securities in San Francisco, predict that budget steak houses are becoming the family-restaurant chains' biggest competitors, because the steak chains have broadened their menus and hold the line on menu pricing.

However, most family restaurants have helped their cause by driving home the message that they serve lunch and dinner as well as breakfast. International House of Pancakes, in particular, has offset its former breakfast-only image by refining and promoting its lunch and dinner menus. The strategy has paid off with same-store sales increases every month for the last 96 months, according to Stephen Pettise, IHOP's marketing vice president.

Other chains, too, have boosted non-breakfast traffic by offering frequently changing promotions centered around popular center-of-plate items. National chains often run lunch and dinner promotions that vary from region to region to correspond to local taste preferences.

An exception to the three-meal imperative is Shoney's, which continues to emphasize breakfast. "One of our customers' favorite menu offerings is our breakfast bar," says Ty Hasty, Shoney's senior vice president of marketing. "We will continue to add items to the bar based on our customers' input and look for breakfast to continue to be one of our real strengths."

At least one growing chain, Marie Callender's, which serves breakfast in only a few of its 160 units, is viewed as being a notch above the family segment, if not quite as a dinner house. One of the major competitors of Marie Callender's, at least in Southern California, is Sizzler, according to Vince Kikugawa, Marie Callender's president.

A Shoney's family restaurant unit.

While Callender's, which emphasizes lunch and dinner, has the segment's highest check average — between $7.50 and $8 — most family chains are caught in the trap of holding down prices while trying to upgrade image and food quality. "Their price points are not that much more than [those of] fast food now. They are reluctant to raise prices," analyst Mueller notes.

Shoney's officials say the chain plans to maintain a leadership position in the family dining segment by offering a wide variety of menu items and attractive pricing. "That's what our customers want," Hasty explains.

Although Denny's is trying to upgrade its food quality, the segment's largest chain "doesn't anticipate menu-price increases," according to marketing vice president Sue Henderson. She indicates that higher unit volumes at Denny's have resulted from positive consumer response to new menus, renewed decor and improved operations and marketing programs, such as a 10-minute-service lunch guarantee.

Denny's and most of the other mature players in the segment are remodeling older units in hopes of competing more effectively against dinner houses and independents. Among the redesign trends are lighter colors, upholstered

*(See **FAMILY**, page 96)*

TOP 100

CONTRACT CHAINS RANKED BY SYSTEMWIDE SALES

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	U.S. Systemwide Foodservice Sales (By Fiscal Year, In Millions) Current	Last full	Prior
1	1	Marriott Food and Services Mgt.	Dec. '90	$ 2,350.0	$ 2,120.0	$1,880.0
2	2	Canteen Corp.	Dec. '90	1,470.0	1,390.0	1,330.0
3	3	ARA Services/ARASERVE	Sept. '90	1,465.0	1,350.0	1,300.0
4	4	Service America	Mar. '91	1,360.0	1,170.0	1,060.0
5	6	Marriott In-Flite	Dec. '90	656.0	569.0	543.0
6	5	Host International	Dec. '90	638.0	609.0	525.0
7	7	Sky Chefs	Dec. '90	449.0	403.0	377.0
8	8	Morrison Custom Management	May '91	397.0	384.0	343.0
9	9	Seiler Corp.	Aug. '90	392.1	350.0	306.0
10	10	Dobbs International	Dec. '90	293.0	277.0	261.0
11	11	ServiceMaster Food Services	Dec. '90	273.0	241.0	208.0
12	12	Harry M. Stevens	Dec. '90	258.0	227.6	216.4
13	13	Ogden Allied Entertainment Svcs.	Dec. '90	245.0	224.0	206.0
14	15	Sportservice	Dec. '90	226.7	209.0	193.0
15	14	Daka	June '91	226.0	210.0	210.0
16	16	Dobbs Houses	Dec. '90	217.0	197.0	205.0
17	17	Concession Air	Dec. '90	212.0	195.3	178.5
		TOTAL:		$11,127.8	$10,125.9	$9,341.9

Source: NRN Research.

CONTRACT CHAINS RANKED BY SALES PER UNIT

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, In Thousands) Current	Last full	Prior
1	1	Marriott In-Flite	Dec. '90	$14,500.0	$13,500.0	$13,300.0
2	2	Sky Chefs	Dec. '90	12,130.0	11,570.0	11,080.0
3	4	Harry M. Stevens	Dec. '90	6,450.0	5,700.0	5,900.0
4	3	Dobbs International	Dec. '90	5,860.0	6,020.0	6,000.0
5	5	Concession Air	Dec. '90	4,510.0	4,340.0	3,960.0
6	6	Sportservice	Dec. '90	3,010.0	3,030.0	3,200.0
7	7	Ogden Allied Ent.Servs.	Dec. '90	2,400.0	2,800.0	3,100.0
8	9	Host International	Dec. '90	1,060.0	1,040.0	935.0
9	8	Marriott Food and Servs. Mgmt.	Dec. '90	1,060.0	1,050.0	959.0
10	11	Seiler Corp.	Aug. '90	980.0	886.0	807.4
11	10	ServiceMaster Food Services	Dec. '90	968.0	909.0	812.0
12	12	Canteen Corp.	Dec. '90	901.8	875.9	861.0
13	13	Service America	Mar. '91	780.2	688.3	623.5
14	15	Dobbs Houses	Dec. '90	571.0	539.0	585.0
15	14	ARA Services/ARASERVE	Sept. '90	563.0	542.0	578.0
16	16	Daka	June '91	538.0	525.0	525.0
17	17	Morrison Custom Management	May '91	441.0	430.0	385.0
		AVERAGE:		$ 3,336.6	$ 3,202.7	$ 3,153.6

Source: NRN Research.

Contract feeders steer toward 'branding'

Contract segment steps up emphasis on recognizable brand-names, launches new merchandising ideas to hold onto customers and increase market share

by Bill Carlino

In their ongoing efforts to keep diners from hitting the streets at mealtimes, contract feeders are launching on-premises franchises of national fast-food chains and merchandising new varieties of proprietary cuisines.

Business and industry, health care and college foodservice accounts — once the purveyors of nondescript fare served in austere cafeteria settings — now showcase foods as varied as fettuccine Alfredo and Wendy's chicken sandwiches.

While the past decade was an era marked by consolidation and concept diversification in the $10 billion contract segment, the 1990s are shaping up as a time when more non-commercial operators will adopt mainstream retail modes in their traffic-share battles against "name-brand" restaurants.

"The contract segment has been stereotyped as feeding a 'captive' population," says foodservice consultant Malcolm Knapp, president of Malcolm Knapp Inc., in New York. But contract patrons "are not captive all day," Knapp notes. "Recognized brand names and new lines of popular dishes put customers at ease."

During the past year Stamford, Conn.-based Service America Corp. has been one of the contract feeders leading the segment's charge toward "branding." The company is now under the direction of chief executive Steve Leipsner, who was dubbed the "father of branding" as a result of his seven-year stint as head of Marriott's multi-brand Travel Plazas division.

Since Leipsner's arrival, Service America has secured franchises of national fast-food chains like Dunkin' Donuts, Wendy's, Little Caesars and I Can't Believe it's Yogurt. Service America also secured the largest account in its history — Ameritech, the parent company of several of Bell Telephone's Midwestern operations.

However, despite the new retail stance, a second consecutive annual loss has forced Service America to restructure its debt-payment schedule with GE Capital Corp., its senior creditor.

Philadephia-based ARA Services has launched an array of proprietary marketing vehicles in its business dining division, including Leghorn's, a grilled chicken concept; Allegro's, a health-oriented pasta outlet; and "Solo," a personal-sized pizza sold in account locations that feature ARA's Itsa Pizza product.

"Contract foodservice has become a highly merchandised vehicle," acknowledges John Farquharson, president of ARASERVE, the foodservice and vending umbrella of ARA Services. "Customers are more critical and demanding than they were 10 years ago, and operators have to do more to keep them in the building for meals."

ARA's school nutrition services division recently captured the foodservice contract for the Duval County School Board in Jacksonville, Fla., a $25 million account believed to be among the largest ever managed by a contract feeder. Under the terms of the Duval contract, ARA will oversee feeding for a total of 144 elementary and secondary schools.

Marriott Corp., which grabbed major industry headlines in past years with the acquisition of Saga Corp. and the sale of the Marriott In-Flite airline catering division, kicked off 1990 by unveiling a restructuring plan to divest its family restaurants and its Roy Rogers division. The spin-offs will clear the way for Marriott to focus on its lodging and contract feeding arms.

Marriott's contract division strengthened its foothold in the business and industry market of New York City by acquiring Corporate Food Services, an operator specializing in

(See CONTRACT FEEDERS, page 98)

CONTRACT CHAINS RANKED BY NUMBER OF U.S. UNITS

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current	Last Full	Prior
1	1	ARA Services/ARASERVE	Sept. '90	2,600	2,550	2,350
2	2	Marriott Food and Services Mgt.	Dec. '90	2,200	2,005	1,960
3	3	Service America	Mar. '91	1,743	1,700	1,700
4	4	Canteen Corp.	Dec. '90	1,630	1,577	1,543
5	5	Morrison Custom Management	May '91	900	892	890
6	6	Host International	Dec. '90	600	582	561
7	7	Daka	June '91	420	400	400
8	8	Seiler Corp.	Aug. '90	400	395	379
9	9	Dobbs Houses	Dec. '90	380	363	350
10	10	ServiceMaster Food Services	Dec. '90	282	265	256
11	11	Ogden Allied Entertainment Servs.	Dec. '90	102	80	69
12	12	Sportservice	Dec. '90	75	69	61
13	13	Dobbs International	Dec. '90	50	46	44
14	14	Concession Air	Dec. '90	47	45	43
15	15	Marriott In-Flite	Dec. '90	45	42	40
16	16	Harry M. Stevens	Dec. '90	40	40	37
17	17	Sky Chefs	Dec. '90	37	35	34
		TOTAL:		11,551	11,086	10,717

Source: NRN Research.

CONTRACT CHAINS RANKED BY TOP 100 MARKET SHARE

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Annual Market Share Current	Last Full	Prior
1	1	Marriott Food and Services Mgt.	Dec. '90	21.12%	20.94%	20.12%
2	2	Canteen Corp.	Dec. '90	13.21	13.73	14.24
3	3	ARA Services/ARASERVE	Sept. '90	13.17	13.33	13.92
4	4	Service America	Mar. '91	12.22	11.55	11.35
5	6	Marriott In-Flite	Dec. '90	5.90	5.62	5.81
6	5	Host International	Dec. '90	5.73	6.01	5.62
7	7	Sky Chefs	Dec. '90	4.03	3.98	4.04
8	8	Morrison Custom Management	May '91	3.57	3.79	3.67
9	9	Seiler Corp.	Aug. '90	3.52	3.46	3.28
10	10	Dobbs International	Dec. '90	2.63	2.74	2.79
11	11	ServiceMaster Food Services	Dec. '90	2.45	2.38	2.23
12	12	Harry M. Stevens	Dec. '90	2.32	2.25	2.32
13	13	Ogden Allied Entertainment Servs.	Dec. '90	2.20	2.21	2.21
14	15	Sportservice	Dec. '90	2.04	2.06	2.07
15	14	Daka	June '91	2.03	2.07	2.25
16	16	Dobbs Houses	Dec. '90	1.95	1.95	2.19
17	17	Concession Air	Dec. '90	1.91	1.93	1.91

Source: NRN Research.

TOP 100

HOTEL CHAINS RANKED BY U.S. FOODSERVICE SALES

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, In Millions) Current	Last full	Prior
1	1	Marriott Hotels & Resorts	Dec. '90	$1,188.0	$1,106.0	$1,014.7
2	2	Hilton Hotels	Dec. '90	1,013.8	921.1	945.1
3	3	Sheraton Hotels	Dec. '90	1,010.8	911.4	980.4
4	4	Holiday Inns	Dec. '90	573.9	547.4	504.8
5	5	Hyatt Hotels	Jan. '91	401.4	353.9	304.8
6	8	Radisson Hotels	Dec. '90	345.0	278.0	216.0
7	6	Ramada Inn	Dec. '90	317.9	328.2	314.4
8	7	Westin Hotels	Dec. '90	297.2	285.6	266.1
		TOTAL:		$5,148.0	$4,731.6	$4,546.3

Source: NRN Research.

HOTEL CHAINS RANKED BY FOODSERVICE SALES PER HOTEL

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Foodservice Sales Per Hotel (By Fiscal Year, In Thousands) Current	Last Full	Prior
1	1	Westin Hotels	Dec. '90	$8,741.0	$8,400.0	$8,063.0
2	2	Hilton Hotels	Dec. '90	3,769.0	3,530.0	3,500.0
3	3	Hyatt Hotels	Jan. '91	3,682.0	3,504.0	3,350.0
4	5	Marriott Hotels & Resorts	Dec. '90	3,135.0	3,351.0	3,510.0
5	4	Sheraton Hotels	Dec. '90	3,100.0	3,430.0	3,440.0
6	6	Radisson Hotels	Dec. '90	1,930.0	1,830.0	1,770.0
7	7	Ramada Inn	Dec. '90	692.5	660.8	627.5
8	8	Holiday Inns	Dec. '90	363.7	346.4	330.8
		AVERAGE:		$3,176.7	$3,131.5	$3,073.9

Source: NRN Research.

Hotels look to R&D to boost business of F&B

With plenty of room at the inn, hotels tap demographics to draw in customers

by Peter Romeo

A severe slowdown in room rentals is transforming the food and beverage departments of top hotel chains into sophisticated research operations that use statistics to draw a bead on the customers of freestanding restaurants and caterers.

"Intuition doesn't work anymore," says Don Clawson, vice president of food and beverage for Radisson Hotels. "Research, research, research — that's the crucial word today."

In recent years the supply of hotel rooms has grossly outstripped demand, leaving many properties unable to capture the overnight guests who supplied lodging restaurants with the bulk of their traffic.

"The key today is appealing to the community, particularly in the banquets market," says Robert Patterson, a lodging specialist for Laventhol & Horwath, the accounting and consulting concern. "It's a matter of coming up with the right formula to draw customers from outside the hotel."

"When the F & B [food and beverage operation] is well conceived and well operated and where there's a good community market, it can do very well," he says. But a misfire can burden a property with a voracious profit eater.

"I hear operators say that they would rather give a meal away once a day than run a food and beverage operation," says Patterson, noting how many new hotels today forgo restaurants and instead provide guests with a free breakfast.

"You see a huge decline in customer traffic," notes Walter Staib, the former Omni Hotels food-and-beverage chief who now has his own consultancy, Staib & Associates of Bryn Mawr, Pa. "Today a lot of people are running scared. You see more people spending money for R & D [research and development]."

"Today we provide exactly what the customers want, not what we want to give them," remarks Peter Kleiser, senior vice president of food and beverage operations for Hilton Hotels Corp. "Like a lot of hotel companies today, we don't have a typical hotel restaurant anymore."

Indeed, most of the major players are moving far afield from the staid Continental restaurants that were once the norm.

"We really stay away from those 'museum rooms,'" Kleiser says. "Today we build a lot of theme restaurants — Italian, Japanese, Chinese, Spanish, everything. Our menus are as good as freestanding restaurants' menus were 10 years ago."

"In some markets we're serving rice for breakfast, or we use *bento* boxes," the compartmentalized serving containers used in Japan, Kleiser explains. "You wouldn't have seen anything like that 10 years ago."

"We've done everything from Oriental to Mediterranean restaurants, a full range," says David Zadikoff, Hyatt's senior vice president of food and beverage operations. "Everything is fine dining, but the setting is comfortable, not intimidating."

At Radisson the food and beverage department collates and studies demographic information before it considers what restaurant concepts would thrive in a given location. Further input is gathered from focus groups of travelers and neighbors of the hotel.

*(See **HOTELS**, page 108)*

CAFETERIA CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	U.S. Systemwide Sales (By Fiscal Year, in Millions) Current	Last full	Prior
1	3	Luby's Cafeteria	Aug. '90	$ 315.0	$ 283.3	$ 254.3
2	2	Piccadilly	June '91	315.0	290.0	276.0
3	1	Morrison's	May '91	300.0	292.0	296.0
4	4	Furr's Cafeterias	Dec. '90	245.0	230.0	215.0
		TOTAL:		$1,175.0	$1,095.3	$1,041.3

Source: NRN Research.

CAFETERIA CHAINS RANKED BY SALES PER UNIT

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands) Current	Last full	Prior
1	1	Luby's Cafeteria	Aug. '90	$2,420.0	$2,400.0	$2,345.0
2	2	Piccadilly	June '91	2,250.0	2,050.0	1,900.0
3	3	Furr's Cafeterias	Dec. '90	1,900.0	1,815.0	1,800.0
3	4	Morrison's	May '91	1,900.0	1,800.0	1,750.0
		AVERAGE:		$2,117.5	$2,016.3	$1,948.8

Source: NRN Research.

CAFETERIA CHAINS RANKED BY NUMBER OF U.S. UNITS

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current	Last Full	Prior
1	1	Morrison's	May '91	176	174	169
2	2	Piccadilly	June '91	158	147	138
3	4	Luby's Cafeteria	Aug. '90	137	124	113
4	3	Furr's Cafeterias	Dec. '90	130	125	120
		TOTAL:		601	570	540

Source: NRN Research.

Cafeterias branch out in search for new growth

Operators fight slow growth by testing new menus or even whole new concepts

by Carolyn Walkup

Cafeterias are exploring diversification and promoting the value inherent in their segment as ways to combat generally slow growth and lagging customer counts.

"Cafeterias are not dead concepts, but they clearly are not growth vehicles," said Don Ratajczak, an economist at Georgia State University and a Morrison's director. "Morrison's has moved aggressively into specialty restaurants and contract feeding," he says, where better growth has occurred.

Morrison's is not opening any new cafeterias unless it can develop one in tandem with one of the company's other restaurants, such as a Ruby Tuesday's dinner house, Ratajczak notes. He credits its competitors Luby's and Piccadilly with achieving growth rates superior to Morrison's.

Both of those chains surpassed Morrison's this year to lead the segment in total sales.

Virtually tied for first place, Luby's and Piccadilly projected that their sales for the current year would be about $315 million. Luby's was the bigger gainer, up from $283 million last year, compared with $290 last year for Piccadilly.

Morrison's gained only $8 million over last year for a projected total of $300 million, followed by the smaller Furr's at $245 million. Sales per unit of $1.9 million for both chains compare with $2.4 million for Luby's and $2.25 million for Piccadilly.

All four chains are based in the South and have not managed to gain strong penetration north of the Mason-Dixon line. Still, Luby's reached its 10-percent annual expansion goal as it continued to concentrate on cafeterias, its sole line of business.

"We have no plans to go outside of that market," John Curtis Jr., Luby's chief financial officer, says. "We call it controlled, quality growth. We are opening new stores, but we don't let our existing base deteriorate."

Curtis foresees the market for cafeteria meals expanding in the coming decade in all age groups. Since Luby's average customer is about 45, the large numbers of baby boomers who are nearing that age comprise a good potential market.

Luby's continues to open more cafeterias in Florida, where competitors earlier gained acceptance for the cafeteria concept. Curtis sees the Sunshine State as a growing market in the next decade.

Piccadilly opened nine new cafeterias in its past fiscal year while simultaneously expanding the Ralph & Kacoo's Cajun seafood dinner-house chain, which it acquired last year. Six of the seafood outlets are open now, and four more are on the drawing boards for the next two years.

"Our focus has been on operating

*(See **CAFETERIAS**, page 100)*

Chicken chains scratching for ideas

As burger chains continue to delve into this field, specialty operators are seeking innovative ways to market their birds — and fend off the competition

by Peter O. Keegan

With burger chains diversifying into poultry and concerns about nutrition driving consumers toward non-fried items, chains in the chicken segment are being forced to rethink their competitive strategies.

Rival sandwich chains are scrambling to add chicken to their menus, as the popularity of chicken rises and beef-eating falters. Burger King, Hardee's and Roy Rogers are among the burger outfits that are luring in new customers by offering grilled-chicken sandwiches.

Meanwhile, sandwich items are still being added to the menu boards of the chicken specialists themselves. El Pollo Loco's systemwide rollout of a skinless, marinated, chargrilled breast sandwich is currently nearing completion, and Kentucky Fried Chicken is test-marketing a new grilled sandwich.

The competitive threats that are posed by burger chains are not limited to the sandwich arena. Hardee's, for instance, has begun edging into the mainstream of the chicken market through the phased introduction of bone-in fried chicken — a program it is adopting from its new sister chain, Roy Rogers.

And McDonald's has begun testing a fried, bone-in chicken product that could lead to its full-blown entry into the finger-lickin' field.

Kentucky Fried Chicken, the leader of the chicken segment, is rebounding off of a bad year in 1989 and has shown stronger sales in the first quarter of 1990. However, the highly publicized introduction of Hot Wings, KFC's attempt to garner a share of the burgeoning Buffalo-style chicken wing market, was marred after a supply snafu kept units from meeting demand and ads were pulled from national airwaves.

KFC's critics say the company has not been swift enough in its rollout of new products. Dick Detwiler, a spokesman for KFC, says a grilled- chicken sandwich and roasted chicken on the bone are selling well at KFC test outlets in preparation for rollouts. However, KFC has not said when the products would be launched.

"There are a fair number of consumers who are looking for an alternative to fried chicken," Detwiler says. "And we'd like to offer a non-fried alternative to consumers who are not visiting KFC now — or as often as they might — because of nutritional concerns." Currently, KFC's standard menu features a fried-chicken sand-

(See CHICKEN, page 102)

CHICKEN CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions) Current	Last full	Prior
1	1	Kentucky Fried Chicken	Dec. '90	$3,162.1	$3,000.0	$2,900.0
2	2	Church's Fried Chicken	Oct. '90	567.0	530.0	405.5
3	3	Popeye's Chicken	Oct. '90	561.0	525.0	485.0
4	4	Chick-fil-A	Dec. '90	296.0	263.8	232.2
5	5	El Pollo Loco	Dec. '90	220.0	168.0	121.0
		TOTAL:		$4,806.1	$4,486.8	$4,143.7

Source: NRN Research.

CHICKEN CHAINS RANKED BY SALES PER UNIT

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, In Thousands) Current	Last full	Prior
1	1	El Pollo Loco	Dec. '90	$1,050.0	$1,010.0	$1,018.0
2	2	Popeye's Chicken	Oct. '90	759.7	710.0	725.0
3	3	Chick-fil-A	Dec. '90	665.2	660.6	621.5
4	4	Kentucky Fried Chicken	Dec. '90	635.0	607.0	597.0
5	5	Church's Fried Chicken	Oct. '90	445.0	415.0	377.7
		AVERAGE:		$ 711.0	$ 680.5	$ 667.8

Source: NRN Research.

Steak chains face beefed-up competition

The decline in beef sales — which prompted budget steak operators to diversify menus — now leaves the segment battling head to head with family restaurants

by Jack Hayes

Like out-of-breath good guys in a James Bond adventure, the nation's budget-steak restaurateurs are finding themselves at risk in a hostile world of high-volume family dining.

The intrepid steak operators, who armed their restaurants with salad bars, sandwich menus and all-you-can-eat hot-food buffets to counteract declining beef sales in recent years, admit that they have pushed themselves into combat with such family-restaurant giants as Big Boy, Denny's, Perkin's and Shoney's.

Steak chains are also competing with such cafeterias as Morrison's and against aggressive food bar chains like Old Country Buffet — both of which promote price-value and big portions to lure the same budget-minded clientele sought by the beef operators.

"We're co-mingling with the other family concepts," says Michael Minchin, executive marketing vice president of Sizzler Restaurants International, which operates more than 600 Sizzler Steak Seafood & Salad units nationwide.

As the largest player in the segment, Sizzler led the budget-steak field's "image" conversion in the mid-1980s with a host of menu diversifications. In fact, Sizzler's own image took another step away from steak this year with the debut of Sizzler Buffet Court & Grill, an increasingly dispersed "scatter bar" hybrid of its buffet island concept.

Minchin sees a tough year on the domestic front for steak operators who want to add new stores or who need to boost their average-unit sales. Competition — worsened by rising food, labor and overhead costs — makes international expansion a more logical alternative, he says.

Southeastern chains, in particular, recall the freeze that wiped out winter crops across the Sunbelt last December — driving crucial produce prices to four times their normal level and playing havoc with the first-quarter profits of steak chains, whose food bars have made them increasingly produce-dependent.

"Disposable income is shrinking," Minchin explains. "I see consolidation and a tougher year ahead. I sense that operators are going to have to get smarter in order to survive."

Even Ryan's Family Steak Houses, a darling of the budget segment, will have its hands full keeping weekly cover counts at 8,500 to 9,000, so that $2 million store volumes can be maintained, president Charles Way says.

"The challenge is promoting price-

(See STEAK, page 104)

STEAK CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, in Millions) Current	Last full	Prior
1	1	Sizzler	Apr. '91	$ 864.3	$ 845.6	$ 748.6
2	2	Ponderosa	Feb. '91	707.1	694.0	696.0
3	3	Bonanza	Feb. '91	514.6	520.2	575.2
4	4	Western Sizzlin'	Dec. '90	484.8	465.0	448.0
5	5	Golden Corral	Dec. '90	435.0	464.8	455.6
6	6	Ryan's	Dec. '90	350.0	295.0	234.0
7	7	Quincy's	Dec. '90	287.0	263.0	251.0
		TOTAL:		$3,642.8	$3,547.6	$3,408.4

Source: NRN Research.

STEAK CHAINS RANKED BY SALES PER UNIT

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, In Thousands) Current	Last full	Prior
1	1	Ryan's	Dec. '90	$2,350.0	$2,270.0	$2,180.0
2	2	Sizzler	Apr. '91	1,444.0	1,430.0	1,360.0
3	3	Quincy's	Dec. '90	1,300.0	1,250.0	1,180.0
4	5	Bonanza	Feb. '91	1,025.0	975.0	940.0
5	4	Ponderosa	Feb. '91	995.0	986.1	1,001.0
6	6	Golden Corral	Dec. '90	950.0	943.0	888.0
7	7	Western Sizzlin'	Dec. '90	936.0	918.5	774.0
		AVERAGE:		$1,285.7	$1,253.2	$1,189.0

Source: NRN Research.

TOP 100

SANDWICH CHAINS RANKED BY U.S. SYSTEMWIDE SALES

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Systemwide Sales (By Fiscal Year, In Millions) Current	Last full	Prior
1	1	McDonald's	Dec. '90	$12,835.0	$12,012.0	$11,380.0
2	2	Burger King	Sept. '90	5,700.0	5,700.0	5,400.0
3	3	Hardee's	Dec. '90	3,242.8	2,979.8	2,822.1
4	4	Wendy's	Dec. '90	3,067.0	2,827.0	2,720.0
5	5	Taco Bell	Dec. '90	2,600.0	2,000.0	1,600.0
6	6	Dairy Queen	Nov. '90	1,980.0	1,938.0	1,839.0
7	7	Arby's	Dec. '90	1,285.0	1,219.0	1,099.0
8	9	Subway	Dec. '90	1,118.8	781.7	495.0
9	8	Jack in the Box	Sept. '90	932.1	833.7	775.7
10	11	Carl's Jr.	Jan. '91	600.0	550.2	480.6
11	10	Roy Rogers	Dec. '90	500.0	584.0	566.0
12	12	Sonic Drive-in	Aug. '90	410.0	390.2	345.5
13	13	Rax	July '91	339.4	330.8	327.0
14	14	Whataburger	Sept. '90	318.0	300.0	273.2
15	15	White Castle	Dec. '90	297.3	278.5	282.7
16	18	Rally's	June '91	210.6	155.4	102.2
17	16	Del Taco	Dec. '90	210.0	205.0	200.0
18	17	Krystal	Dec. '90	204.0	188.3	178.2
		TOTAL:		$35,850.0	$33,273.6	$30,886.2

Source: NRN Research.

SANDWICH CHAINS RANKED BY SALES PER UNIT

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Sales Per Unit (By Fiscal Year, in Thousands) Current	Last full	Prior
1	1	McDonald's	Dec. '90	$1,629.0	$1,621.0	$1,596.0
2	2	White Castle	Dec. '90	1,300.0	1,166.0	1,300.0
3	3	Carl's Jr.	Jan. '91	1,150.0	1,100.0	1,000.0
4	5	Burger King	Sept. '90	1,100.0	1,000.0	1,020.0
5	6	Jack in the Box	Sept. '90	1,080.0	931.0	903.0
6	4	Roy Rogers	Dec. '90	1,060.0	1,060.0	1,060.0
7	7	Hardee's	Dec. '90	959.0	922.0	920.0
8	8	Rally's	June '91	920.0	905.0	918.0
9	9	Krystal	Dec. '90	850.0	812.3	762.6
10	10	Wendy's	Dec. '90	802.0	789.0	759.0
11	11	Taco Bell	Dec. '90	800.0	686.0	589.0
12	13	Whataburger	Sept. '90	698.2	668.1	641.1
13	12	Rax	July '91	688.4	671.0	657.0
14	14	Arby's	Dec. '90	675.0	626.0	613.0
15	15	Del Taco	Dec. '90	525.0	520.0	515.0
16	16	Dairy Queen	Nov. '90	430.0	422.0	408.0
17	17	Sonic Drive-in	Aug. '90	400.0	395.0	356.0
18	18	Subway	Dec. '90	250.0	232.0	215.0
		AVERAGE:		$ 850.9	$ 807.0	$ 790.7

Source: NRN Research.

SANDWICH CHAINS RANKED BY NUMBER OF U.S. UNITS

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current	Last Full	Prior
1	1	McDonald's	Dec. '90	8,650	8,270	7,907
2	2	Burger King	Sept. '90	5,380	5,358	5,020
3	4	Subway	Dec. '90	5,030	3,920	2,819
4	3	Dairy Queen	Nov. '90	4,680	4,627	4,556
5	6	Hardee's	Dec. '90	3,548	3,298	3,151
6	5	Wendy's	Dec. '90	3,520	3,490	3,521
7	7	Taco Bell	Dec. '90	3,300	3,082	2,892
8	8	Arby's	Dec. '90	2,337	2,117	1,949
9	10	Jack in the Box	Sept. '90	1,048	986	957
10	9	Sonic Drive-in	Aug. '90	1020	1012	980
11	11	Roy Rogers	Dec. '90	648	648	577
12	12	Carl's Jr.	Jan. '91	578	540	482
13	13	Rax	July '91	493	498	500
14	14	Whataburger	Sept. '90	475	438	417
15	15	Del Taco	Dec. '90	393	399	396
16	18	Rally's	June '91	305	225	148
17	16	White Castle	Dec. '90	255	243	234
18	17	Krystal	Dec. '90	245	230	232
		TOTAL:		41,905	39,381	36,738

Source: NRN Research.

Sandwich chains

(Continued from page 1)

goal of installing value-added "dinner" amenities that would help retain a maturing consumer base.

"It's very difficult to maintain margins and be certain you're in the proper niche these days," John Merritt, a senior vice president of Hardee's, concedes.

While plotting ways to firm up sagging same-store sales and create a true dinner daypart, McDonald's is test-marketing a slew of newfangled entrées, ranging from pizza and fried chicken to fish and pasta.

The segment leader is "taking a look at the dinner menu to see whether or not we can find some ways to provide better service to our customers there, relative to the products that they would like," Jim Skinner, a McDonald's senior vice president, told Prudential-Bache Securities analysts recently.

Fast food gets 'healthy'

Evolving consumer tastes, waning same-store traffic and cut-rate competitors aren't the only things giving the big burger chains headaches. In the wake of controversial print-ad attacks by nutrition activists, McDonald's has launched low-fat shakes and frozen yogurt as well as "healthy" breakfast items like fat-free muffins and vitamin-enriched cold cereals.

However, despite McDonald's denials, market analysts and consumer polls suggest that a backlash against burger chains may be occurring as cholesterol-conscious patrons react to the controversy.

Trying to stay one step ahead of fat-foe critics, Burger King, Wendy's and McDonald's recently joined a growing list of chains that have switched from beef tallow to all-vegetable oils for frying. Hardee's changed its oil two years ago, and Carl's Jr. made the animal-to-vegetable switch last year.

Meanwhile, Dairy Queen has sought to distinguish its new chicken sandwich from others in that trendy product field by dressing it with a low-fat mayonnaise. DQ, which has also launched low-fat frozen desserts, says it may choose to expand low-calorie condiments to its burger line.

In another concession to health concerns, Sonic Drive-In has grudgingly begun testing a grilled chicken sandwich on a wheat bun, although the small-town operator seems largely content to stick with fast-food basics as it enjoys the fruits of its turnaround drive.

For its part, Wendy's recently quibbled with other chains' low-fat claims by pronouncing its quarter-pound single burger — containing 15 grams of fat — lower in fat than any other comparable product. But that claim illustrates the health-image quandary sellers of burgers may face, since some nutritionists say individuals should limit their total daily intake of saturated fat to about 22 grams.

Some chains' burger products contain upward of 70 grams of fat per sandwich.

Let's make a deal

Cut-rate merchandising is one tactic increasingly in evidence as chains try to evade price-cutting competitors and fast-food critics.

Off-price promotions abound within the segment. McDonald's, which, like other large burger-based chains, is now resorting to discounting on about one out of every five sales transactions, recently slashed the price of its kid-luring Happy Meal to $1.99 for a summer-long promotion.

"The question has become, 'How do we "deal" our way into the hearts of consumers?' " says analyst-consultant George Rice, head of Chicago-based GDR Enterprises and the NPD CREST research firm. "The primary, underlying problem is that the market has matured" out of a demand-driven era into one that seems propelled almost solely by promotion, Rice asserts.

Indeed, apparently dwindling consumer enthusiasm for conventional fast food and the big chains' seeming dependence on broadcast marketing to drum up patronage has prompted CREST to cease making growth projections for the segment. Recently, "the sandwich category grew or didn't grow on the basis of how much it spent on advertising to promote a new product," Robert O'Brien, a CREST analyst, explains.

Marketing isn't all advertising

While McDonald's bombards its target customers with a $2 million-a-day advertising budget, other chains are left to try new tacks to attract patrons. Carl's Jr., for instance, has begun broadcasting a Spanish-language advertising campaign in its Los Angeles-market stronghold. Carl's, Arby's and others are also testing automated-teller systems and credit-card sales as customer lures.

Burger King, meanwhile, appears to be recovering from its recent front-office instability and marketing malaise and is reporting sharp same-store sales gains, largely on the strengths of its hot-selling BK Broiler chicken sandwich, a popular salad line and the chain's belated entry into the kiddie-meal arena.

Attempting to neutralize the customer magnetism of low-pricing chains like Rally's and especially Taco Bell, Burger King is readying the rollout of a "value products" menu, to be anchored by mini-sandwiches priced as low as 39 cents. That pending maneuver echoes the launch by Wendy's of a "Super Value" menu of under-$1 items, including a nationally advertised burger pegged at the signature 99-cent price point of Rally's.

Even 99 cents may not be low enough for some consumers' tastes. "People want 59-cent price points, and we need to come back to that," Robert Stetson, Burger King's chief domestic operations officer, concedes.

In light of the sales-siphoning punishment meted out by Pepsico's rising fast Mexican star, "we're convinced Taco Bell is just as much a competitor as McDonald's," Stetson says. He adds that Burger King, too, "will shortly have products that compete very effectively with Rally's."

As McDonald's evaluates its McPizza tests, Burger King is also flirting with a segment-stretching cross-over into the pizza business by selling Domino's brand pies in BK test outlets.

With the traffic-building novelties of drive-thru windows, playgrounds and breakfast menus all but tapped out, "we're looking for the next quantum leap, and we're convinced it will come," perhaps in the form of pizza, Stetson says.

A back seat for burgers?

For all their menu and price machinations, McD, BK and others of their ilk seem for the moment to be playing catch-up with nimbler players in the broadly defined "sandwich" category. Several of those lesser-ranked chains have scored significant, sometimes stunning, market-share gains by breaking free of fast-food menu traditions and by rediscovering the segment's price-value origins.

Newer examples of the menu trend are Jack in the Box's ham and turkey melt and cheese-steak sandwiches, Carl's Jr.'s breakfast burrito, Taco Bell's pita-bread-based Pocket Taco and Arby's French-dip sandwiches and chicken sandwich line.

New, non-burger sandwich varieties at Hardee's are also helping to shatter quick-serve menu conventions, which began to tumble several years ago, after Carl's Jr. scored a home run with its char-broiled chicken sandwiches and Jack in the Box blazed

*(See **SANDWICH**, page 130)*

Dinner houses lure aging baby boomers

(Continued from page 72)
six regional lunch and dinner entrées. A summer lunch and dinner menu is also now in place that allows the chain to fill out its standard menu with several seasonal dishes.

Seasonality, once largely the province of fine-dining restaurants, has, in fact, become a driving force in some chain strategies. T.G.I. Friday's recently launched a summer menu that contains several new menu additions that "are geared toward light and healthful-type items," Rick Crossland, the chain's vice president of research and development, says. Seven slow sellers — such as omelets and a seafood pasta dish — were dropped from the menu in favor of a chargrilled vegetable pita sandwich, broiled scallops and a vegetable pasta dish.

The El Torito chain launched its first menu containing more healthful, lighter fare in an effort to boost lunch traffic and broaden its appeal. The 10-page menu offers several new chicken, fish and combination dishes, including grilled mahi-mahi, marinated grilled chicken and a seafood burrito.

"Light and healthy" are indeed among the most popular buzzwords in the menu writers' lexicon. According to Fred Hipp, president of Gilbert/Robinson, which owns and operates Houlihan's, lighter foods will play an even more important role in future menus. "Menus will be shifting away from heavy foods," he predicts. "There will be a reduction of high-fat foods and many more lower-calorie selections."

Houlihan's, for its part, recently introduced a new, streamlined menu featuring more straightforward category headings and concise food descriptions. The new format is designed to facilitate the customers' decision-making process and speed service. The new menu also offers complete meal options called "premier dinners" — a choice of soup or salad and dessert along with a main course for an additional charge.

But while menu variety is a major draw for dinner houses, so is the price-value experience. "The exact check average is not the key to the appeal," Technomic's Paul maintains. "It's the perceived value."

Chains such as Bennigan's and Steak and Ale — both owned and operated by S & A Restaurant Corp. in Dallas — declared that pricing would be a key element of their strategy when S & A was taken private last year. At the time the corporation said that it was determined to minimize new price increases and reduce per-person check averages through product changes and new lunch menus.

And, according to Bob Svelhak, chief financial officer for Bennigan's, the effects of that strategy are beginning to show results. "We're letting competitors raise prices while S & A stays where it is," he says. "That's starting to bear fruit for us in terms of increased sales trends and increased customer traffic."

And in an effort to grab a larger share of customer traffic, several of the more successful dinner-house chains are moving ahead with relatively ambitious expansion programs. For example, growth-leader Olive Garden is expecting to add yet another 50 units during this fiscal year, while sister concept Red Lobster intends to add 20 restaurants as well. Dallas-based Chili's Grill and Bar says it will add 36 new restaurants, while Ruby Tuesday, owned by Morrison Inc., in Mobile, Ala., will build 35 new stores.

As part of their larger expansion plans, however, many chains are targeting secondary markets. And while expectations for such units have been scaled back somewhat, executives say those fringe-market outlets will pay dividends in the long run. "Naturally they will do less volume than some of our other units," Jeff O'Hara, president of Red Lobster, told attendees at the annual conference of the Consumer Analyst Group of New York in Miami.

"But they will have less advertising expenses because those markets are already picking up our national campaigns."

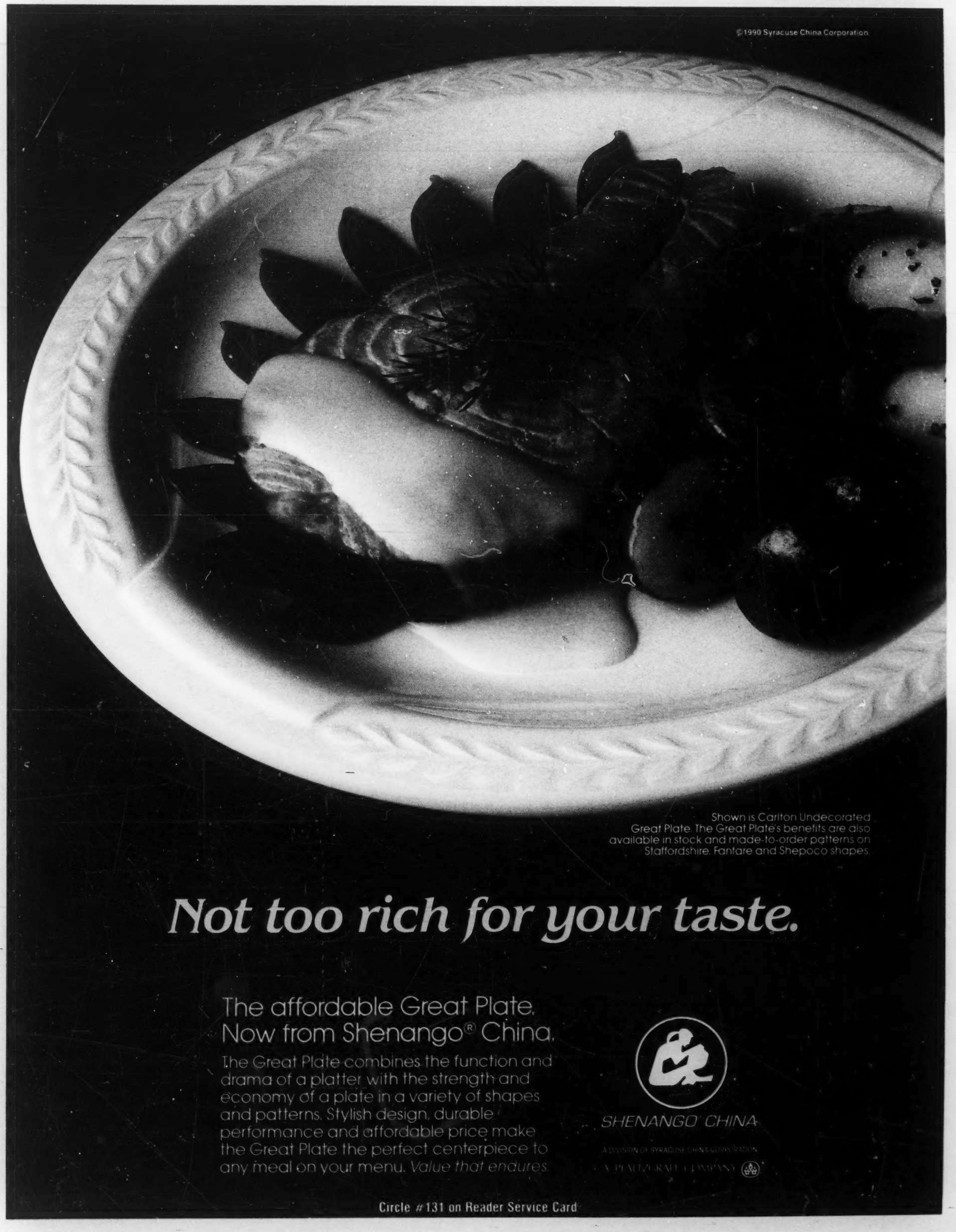
Chili's is another segment player that is currently examining the viability of secondary markets. The April opening of a downsized unit in Boise, Idaho — where the population is well below 130,000 — brings the number of those specialized operations to three.

But if experts have painted a rosy picture of the segment as a whole, several chains and companies have had to contend with specific problems hindering their growth. The management-led leveraged-buyout trend of the '80s left such companies as Restaurant Associates in New York, S & A Restaurant Corp. in Dallas, Paragon Restaurant Group in San Diego and American Restaurant Group in Newport Beach, Calif., with heavy debt loads that made expansion difficult.

"We were able to service the LBO debt well enough," says Max Pine, president and chief executive of Restaurant Associates. "But there was not enough left over to expand the business the way we wanted."

Enter Kyotaru Co. Ltd. of Tokyo — an ambitious player

(See DINNER, page 96)



Dinner houses lure aging baby boomers

(Continued from page 95)
with deep pockets and a strategic objective to build an organization with $1 billion in sales in the U.S. market. In February Kyotaru purchased debt-laden Restaurant Associates for $110 million, promising to revitalize expansion by pumping another $35 million into the company over the next five years.

And more recently Kyotaru returned for a second helping, agreeing to buy Paragon's 54-unit Hungry Hunter/ Mountain Jack's steak house subsidiary for an undisclosed amount.

Both takeovers promise to breathe new life into these companies. Nevertheless, some players argue that a leveraged buyout does not necessarily leave a company gasping for breath. According to Gilbert/Robinson's Hipp, a leveraged buyout structured from a "purely offensive position" can be used to initiate growth.

"Obviously, companies would rather not be leveraged out," he says. "But, generally, most people think that it needs to be done to change the environment and improve the business."

Gilbert/Robinson, which was purchased by management and investors from Irvine, Calif.-based Restaurant Enterprises Group, had been stagnant and unable to expand, Hipp notes. "Expansion was on hold under the REG environment," he continues. "We generated a lot of cash flow, but it went to REG to offset other negatives."

But now that Gilbert/Robinson is "back totally in the entrepreneurial forum," Hipp says, "plans call for the addition of 12 new Houlihan's and Darryl's a year. We think we're a lot better off."

Family feeders woo maturing market

(Continued from page 76)
booths, more subdued lighting, atriums and homespun "country" decorations.

The first company-owned restaurant of the Howard Johnson's system, in Canton, Mass., is a prototype for an updated image aimed at attracting more customers between 25 and 35 years old, according to Arthur Barrett, president of the chain's franchisor, Franchise Associates. The new streamlined unit looks nothing like the familiar peaked-roofed HoJo's models that sprouted along highways in the 1950s.

Ironically, while the family segment strives for a more youthful appearance, it is looking to the past for menu ideas. "We took mashed potatoes off the menu eight years ago, and now we put it back on," says IHOP's Pettise. Pot roast is the anchor of a series of new home-style dinner entrées, which include chicken pot pie and other old-fashioned favorites.

Similar items, including meat loaf, hamburger steak and liver and onions, are among the newest offerings at Denny's. Bob Evans Farms and many Big Boys also feature home-style sections on their latest menus.

Still, the chains are trying to appeal to everyone by adding lighter and "healthier" items, such as salads and grilled meats and fish. IHOP's Pettise says the Harvest Grain 'N Nut pancake, launched one and a half years ago, ranks as the chain's most successful new menu item in years. Meanwhile, Bob Evans Farms and Country Kitchen have added such low-fat foods as cereal, muffins and fresh fruit to their menus.

Almost all family restaurants try to appeal to children, with kids' menus that double as coloring and activity booklets, and feature such favorites as hot dogs, burgers, spaghetti and fried chicken. What's more, the kids' menu prices are often lower than those for, say, a McDonald's Happy Meal, a top seller among the younger set.

At the same time as the family segment is attracting younger patrons, it is not neglecting senior citizens, who have long been among its most loyal customers. Separate budget-priced menu sections for seniors are typical and usually include some "heart- healthy" items for those on restricted diets.

While operators pay closer attention to improving operations in existing units, their segment appears poised to expand at modest rates. Shoney's and Howard Johnson's have announced major franchising campaigns, and most players are seeking expansion opportunities beyond their core territories, both domestically and internationally.

Denny's projects a total addition of 60 units this year. Marie Callender's sees the Midwest, in particular, as a growth territory, while Minnesota-based Country Kitchen looks to Japan, Europe and Canada.

Some domestic expansion room may open up because of Marriott Corp.'s decision to abandon its ambitious Allie's concept and leave the family field altogether. Allie's, originally earmarked for national expansion, had been viewed as a threat of potentially major proportions by other family chains.

Now, the likelihood that a buyer from outside the family segment will acquire Marriott's remaining Allie's, Big Boys, Wag's and Howard Johnson's — and convert them to budget steak houses or other concepts — means that competition within the family segment will lessen, observers conclude.

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Circle #132 on Reader Service Card

TOP 100

Contract feeders steer toward 'branding'

(Continued from page 85)
white-collar dining accounts.

Expanding on last year's franchise agreement with Pizza Hut, Marriott now boasts 77 Pizza Hut kiosks in its health care and college foodservice contract sites.

Host International, Marriott's airport feeding subsidiary, has signed an exclusive licensing agreement with Paramount Pictures to develop 46 units of "Cheers" bars and lounges. The concept will be patterned after the fictitious tavern from the prime-time television series.

The initial Cheers lounge is scheduled to open this November at the Minneapolis-St. Paul airport. The agreement also provides Marriott with the right to develop Cheers bars in domestic Marriott Hotels.

Chicago based-Canteen Corp. has been rocked by a series of executive management changes since the takeover of its parent company, TW Services Inc., by the now-disbanding New York-based arbitrager Coniston Partners.

Gone from Canteen are longtime chief executive Bob Kozlowski, a 40-year veteran of the company; Paul Duffy, the senior vice president of Canteen's food and vending group; and Hal Ritchie, vice president of foodservice and marketing.

On a positive note, the company launched its Saturn II program, a modular turnkey arrangement, which transforms a client's feeding facilities into miniature food courts offering upscale cuisine under trademaked names like "Italia."

Joining the scroll of contractors rolling out modular concepts is the Allentown, Pa.-based Wood Co., which has developed "Today's Taste," a menu marketing program.

Included in the Today's Taste format is "Top Hits," an exhibition preparation format that includes tableside cooking, a takeout service called "Tag-A-Longs" and a morning fare concept named "The Breakfast Club."

According to Daka International chairman Terry Vince, the Wakefield, Mass.-based contractor has struck gold in its college and university accounts with "Dirty Potatoes," mashed potatoes with the skins left on.

Daka is also in the process of structuring a reciprocal agreement to offer downscale units of Legal Sea Foods in Daka's Boston-based feeding accounts, while introducing "Customer Service Guaranteed," a money-back refund program.

Meanwhile, operators specializing in stadium and arena foodservice have been going full bore to fortify their client portfolios. Ogden Entertainment Services, formerly Ogden Allied Leisure Services, landed a troika of major feeding accounts, including two National Basketball Association venues — McNichols Arena in Denver and a new facility in Minneapolis.

Ogden Entertainment Services has also snared the feeding responsibilities for the World Music Theatre, an outdoor amphitheater in Chicago.

In addition to a new name, the subsidiary of Ogden Corp. also ushered in a new chief executive, Richard Ablon, the scion of Ogden Corp. chairman Ralph Ablon.

Harry M. Stevens Inc., generally considered the progenitor of stadium foodservice, has extended its contracts at the Meadowlands Sports Complex, in East Rutherford, N.J., and at Shea Stadium.

Sportservice, a subsidiary of the Buffalo-based Delaware North Cos., added the Suncoast Dome entertainment facility in St. Petersburg, Fla., and the famed Ruidoso Downs racetrack, in Ruidoso Downs, N.M.

Since last year's management-led buyout from the Marriott Corp., In-Flite has been operating under the auspices of its newly formed parent, Caterair International, which will continue to use the Marriott In-Flite logo for several years as part of the sale agreement.

In the first season under new ownership, which includes such former Marriott executives as Dan Altobello and Fred Malek, the company has opened a new flight kitchen in Fort Myers, Fla., and is currently hammering out an agreement to establish a facility in Korea.

Caterair has also sealed a joint venture with Lufthansa Airlines to provide foodservice for various European carriers out of New York, San Francisco and Miami.

"The difference between us owning it and when the company operated under Marriott is that we're dedicated exclusively to airline catering," says Altobello, Caterair's chief executive. "Management does not have to be concerned with ancillary operations like Roy Rogers or Host."

Expansion was the 1989 byword for both Dobbs Houses and Dobbs International, Greyhound Dial Corp.'s in-flight and airport terminal concession arms.

Dobbs Houses expanded its terminal-feeding locations to include five new airport sites, including Houston International and Sarasota-Bradenton, Fla.

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CAFETERIA CHAINS RANKED BY TOP 100 MARKET SHARE

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Annual Market Share Current	Last Full	Prior
1	3	Luby's Cafeteria	Aug. '90	26.80%	25.87%	24.42%
2	2	Piccadilly	June '91	26.80	26.48	26.51
3	1	Morrison's	May '91	25.53	26.66	28.43
4	4	Furr's Cafeterias	Dec. '90	20.85	21.00	20.65

Source: NRN Research.

Cafeterias branch out in search for new growth

(Continued from page 88)

our existing [cafeterias] better," says James Malmberg, Piccadilly president. The company's strategies include double lines for faster service, takeout sections and foods that are high in nutritional qualities.

Furr's concentrated on improving profitability rather than on expanding. "Last year turned out OK. There is more competition now, so it's a little tougher," says Don Fritz, the chain's president.

Richard McGeoch, a Morrison's spokesman, cites more movement of core customers aged 45 to 50 toward casual theme restaurants as partly responsible for the cafeteria division's disappointing year. To increase customer counts, Morrison's is increasing promotions, advertising, discounting and couponing. "It's starting to pay off," he says.

Furr's also plans to increase promotions, including one for senior citizens. Piccadilly did a "Build Yourself a Balanced Meal" nutritional promotion last year.

The segment as a whole is promoting lighter entrées and foods containing less fat, salt and sugar. Some of Furr's newest menu items are vegetable lasagna, cod Veracruz, Mexican-style chicken, honey-mustard barbecued chicken and peppered beef stir fry.

Because cafeterias always have served a wide variety of dishes, they can easily accommodate the trend toward more nutritional dining, says Piccadilly's Malmberg. At Morrison's a new entrée salad has proved popular as a light alternative to more traditional cafeteria entrées, McGeoch says.

While strengthening existing operations, Morrison's has put take-out sections and food courts on hold until the company can overcome its recent setbacks.

While strengthening existing operations, Morrison's has put takeout sections and food courts on hold until the company can overcome its recent setbacks, McGeoch says. Luby's and Piccadilly, meanwhile, have added separate takeout sections wherever feasible.

In an unorthodox maneuver for a cafeteria concept, two Furr's units have opened drive-thru windows, and more are planned. The chain has also added all-you-can-eat options at all of its stores to attract value-minded customers who prefer fixed pricing to à la carte ordering.

Furr's continues to experiment with Furr's Pie Kitchen & Restaurant, a full-service concept with salad bars. The chain opened one branch this year, for a total of three, and plans to open a fourth soon.

Wyatt Cafeterias, the next largest chain after Furr's, projects current year sales of $187 million from 123 units, with per-unit sales of $1.5 million. Last year's sales totaled $176 million, from 121 units.

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TOP 100

Chicken chains scratching for new ideas

CHICKEN CHAINS RANKED BY NUMBER OF U.S. UNITS

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current	Last Full	Prior
1	1	Kentucky Fried Chicken	Dec. '90	4,964	4,961	4,923
2	2	Church's Fried Chicken	Oct. '90	1,196	1,111	1,363
3	3	Popeye's Chicken	Oct. '90	776	739	715
4	4	Chick-fil-A	Dec. '90	445	411	386
5	5	El Pollo Loco	Dec. '90	236	192	120
		TOTAL:		7,617	7,414	7,507

Source: NRN Research.

CHICKEN CHAINS RANKED BY TOP 100 MARKET SHARE

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Annual Market Share Current	Last Full	Prior
1	1	Kentucky Fried Chicken	Dec. '90	65.79%	66.86%	69.99%
2	2	Church's Fried Chicken	Oct. '90	11.80	11.81	9.79
3	3	Popeye's Chicken	Oct. '90	11.67	11.70	11.70
4	4	Chick-fil-A	Dec. '90	6.16	5.88	5.60
5	5	El Pollo Loco	Dec. '90	4.58	3.74	2.92

Source: NRN Research.

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(Continued from page 92)

wich and a chicken garden salad.

With sales relatively flat, KFC has experienced its most rapid growth overseas. Worldwide sales increased 22 percent in the first quarter of 1990. Alan Huston, former senior vice president of development at Pizza Hut, has been appointed president of KFC International and will oversee KFC's 3,000 units abroad.

KFC recently marked its 20th year in Japan, where it co-owns and franchises more than 900 units. The company recently signed agreements to open units in Chile.

On the domestic front Kyle Craig has been appointed president of KFC USA. Craig, a veteran of Steak & Ale, Bennigan's and Burger King, had previously been working on a home-delivery project for KFC. His background in that area may signal KFC's imminent entry into the delivery field.

KFC has also unveiled a new prototype unit, called the "38 Series," which is larger and brighter and has a more contemporary decor, longer counter space and more seating than older units have. Plans call for 20 of the futuristic restaurants to open in Louisville, Ky., by the end of the year.

A few of KFC's prototypes have sprung up in New Orleans, where the chain hasn't had much of a presence. In March KFC unveiled an aggressive expansion plan, saying it would invest more than $20 million to open 20 to 25 outlets in the area over the next three years — right in competitor Al Copeland's backyard. Six have already been opened, and Detwiler reports that one scored $89,000 in sales the first week alone.

Meanwhile, it has been a rough year for Copeland — owner of the Popeyes and Church's fried-chicken chains — whose financial troubles have been burdensome since he acquired the Church's empire in 1989.

Copeland's original plan to sell off Church's franchises to Popeyes franchisees has not progressed as swiftly as was expected, and Copeland has had to renegotiate loans that came due in April. In the interim he named former Coca-Cola executive Ron Jones president of Al Copeland Investments, Copeland's new holding company.

A recent filing with the Securities and Exchange Com-

*(See **CHICKEN**, page 103)*

TOP 100

Chicken chains scratching for new ideas

(Continued from page 102)
mission revealed that several Church's outlets, which had been converted to Popeyes, reported an average sales rise from $368,000 each to $690,000, an 88-percent increase.

Now leading the No. 2 chain in the segment, Copeland believes he must remain vigilant to guard that position. "Guys in the chicken specialty segment have to do more creative things with chicken to keep a competitive edge," says Copeland, who thinks operators should work toward offering more healthful products.

Copeland keeps busy in the test kitchen, working on new products, but so far this year the only thing he has introduced is Church's Foot-Long Chicken Sandwich. He seems unconcerned that the world of specialty-fried chicken will see a tremendous impact with the addition of non-fried items, but, he says, "It is coming, and it may be in our future."

"The whole chicken segment is becoming more competitive," says Don Perry, public-relations director for 445-unit Chick-fil-A. "Chicken consumption is surpassing beef, and as a result burger chains are losing segment share, so many are adding chicken sandwiches."

Chick-fil-A challenged Wendy's last March after seeing the Wendy's "Best Chicken Sandwiches in the Business" claim on national television. Chick-fil-A appealed to the three major networks, saying that they possessed information showing that Chick-fil-A had the "best" chicken sandwiches. The issue remained unresolved, leaving Wendy's to attempt to prove its claim in "television court."

Atlanta-based Chick-fil-A has expanded by more than 30 units this year and estimates that its sales will total nearly $300 million in 1990. Its menu includes chicken nuggets, a barbecued chicken sandwich, broiled chicken sandwiches, chicken salad sandwiches, chicken salad plates and breast of chicken soup. Chick-fil-A is still a regional player and has not penetrated the Northeast or northern Midwestern states.

Another growth-minded player in the non-fried segment is El Pollo Loco, an Irvine, Calif.-based division of Denny's that has grown quickly on its menu of Mexican-style grilled chicken.

The chain grew by about 40 units this year, recently opening its 200th outlet. Sales-per-unit averages exceed $1 million. The restaurants are principally in California and other Sun Belt states like Florida and Arizona.

Although El Pollo Loco's flame-grilled product is already perceived as a healthful alternative to fried chicken, the chain has added a grilled chicken sandwich to its core menu. Currently, average checks are in the $6-to-$7 range. El Pollo Loco, Spanish for "The Crazy Chicken," intends to open 500 new units and expand into new markets by 1995.

Lee's Famous Recipe, a division of Shoney's, has aggressive plans for the future. By 1995 Shoney's wants to open 125 Lee's units as part of its "Project 500" plan.

Lee's, primarily in the Southwest and Midwest, is looking to grow across the country into new markets, especially the Northeast and Northwest.

In addition to "Famous Recipe" chicken, Lee's is about to roll "Hot and Spicy Wings." The Lee's menu also features barbecued chicken, roasted chicken and barbecued chicken sandwiches. Franchise vice president Reginald Steel reports that the company is also testing a grilled-chicken sandwich and chicken tenders in several markets.

Meanwhile, Shoney's is seeking franchisees that are already in the restaurant business and are looking to diversify. The company doesn't provide financing but does provide training, site selection and construction assistance.

Cajun Joe's, an East Coast regional player, seems to be making big strides in the segment thanks to the help of franchise wizard Fred DeLuca, the founder of Subway. Cajun Joe's founders Joe Barrett and Dick Cromwell met DeLuca two years ago, and since then DeLuca has helped put their Cajun-fried chicken concept into the fast lane.

Currently, there are approximately 35 units, with 100 units in the development pipeline. Given DeLuca's involvement, Subway franchisees are buying into the Cajun Joe's concept, and some are even twinning Cajun Joe's and Subway units at shared sites. Aggressive franchising and enhanced economies of scale could boost Cajun Joe's into a more competitive stance as the chain expands, the company believes.

Bojangles', a regional player in the South and mid-Atlantic states, has seen an upswing in sales and is enjoying average unit volumes of $900,000. Still, Horn & Hardart, franchisor of the concept, is selling its interest in the chain and has its 25 company-owned units on the block.

Grandy's, the Lewisville, Texas-based chicken chain, continues to be a major chicken-segment player, particularly in its stronghold in the South.

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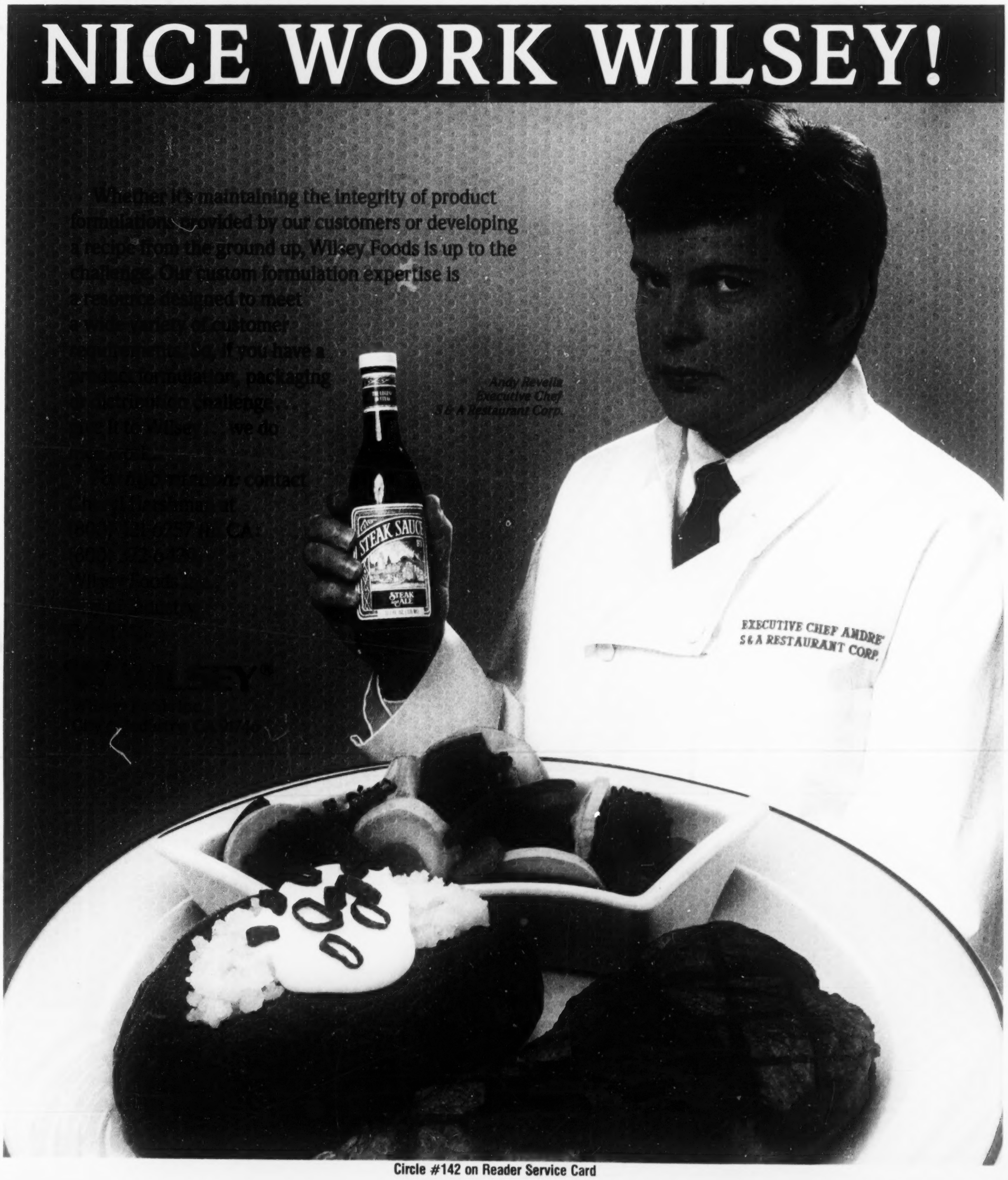

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TOP 100

Steak chains face beefed-up competition

STEAK CHAINS RANKED BY NUMBER OF U.S. UNITS

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current	Last Full	Prior
1	1	Ponderosa	Feb. '91	710	704	695
2	2	Sizzler	Apr. '91	636	628	587
3	3	Western Sizzlin'	Dec. '90	518	514	579
4	4	Bonanza	Feb. '91	502	510	612
5	5	Golden Corral	Dec. '90	470	501	505
6	6	Quincy's	Dec. '90	221	213	211
7	7	Ryan's	Dec. '90	153	141	122
		TOTAL:		3,210	3,211	3,311

Source: NRN Research.

STEAK CHAINS RANKED BY TOP 100 MARKET SHARE

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Annual Market Share Current	Last Full	Prior
1	1	Sizzler	Apr. '91	23.73%	23.84%	21.96%
2	2	Ponderosa	Feb. '91	19.41	19.56	20.42
3	3	Bonanza	Feb. '91	14.13	14.66	16.88
4	4	Western Sizzlin'	Dec. '90	13.31	13.11	13.14
5	5	Golden Corral	Dec. '90	11.94	13.10	13.37
6	6	Ryan's	Dec. '90	9.61	8.32	6.87
7	7	Quincy's	Dec. '90	7.88	7.41	7.36

Source: NRN Research.

(Continued from page 92)

value," Way claims. Meanwhile, Ryan's largest franchisee, 25-unit Family Steak Houses of Florida, is locking in rigid food, labor and overhead cost controls in a move to promote price-value and maintain traffic flow.

"We're trying local-store marketing," says James Osborn, president of Family Steak Houses. "And menu variety is also a challenge. We want to bring in the crowds without couponing."

Spartanburg, S.C.-based Quincy's Family Steakhouse, after a three-year hiatus from new-store openings, added two units in 1989 to finish at 213. Quincy's, too, is stressing cost controls to hold prices and boost margins. At the same time the company is broadening its menu with add-on items to boost the average check.

The most ambitious domestic growth plan may be that of Claremont, N.C.-based WSMP Inc., whose 165-unit Western Steer chain expects 25 new stores to open by next February, two-thirds of them via franchising.

"After two years of consolidation we're on an aggressive course," says Jimmy Richardson, WSPM's senior marketing vice president. Steak accounts for almost half of Western Steer's sales — a higher percentage than all the other chains — while chicken and seafood make up about 10 percent, and food bar items account for the other 45 percent, Richardson says.

Meanwhile, most operators concede that their segment's headlong rush into food bars has made almost every budget-steak concept similar.

"We see everybody copying," complains Michael Stack, president of Dallas-based Western Sizzlin, a franchisor of 500 family steak houses in 26 states.

"The challenge now is positioning," adds Stack, who expects his operation to hold on to its 1989 unit-sales gains while Western Sizzlin targets a piece of the international market.

In the war of broader menus and tighter services, many of the major steak chains have seen their share of casualties. Western Sizzlin boasted nearly 600 units in 1988 when Stack and fellow investors bought the chain from its founders, the Pascarella family of Augusta, Ga.

And 510-store Bonanza Family Restaurants, which became a corporate sister to Ponderosa Steakhouses when it was bought by Metromedia Co. a year ago, also had more than 600 domestic units in 1988.

"The segment is consolidating as far as store numbers, yet all the concepts are getting broader," according to Golden Corral president Ted Fowler, who said one of his stores is starting a breakfast test.

"These days specializing is very hard," Fowler adds, citing a prominent example of menu diversification and segment stretching. "If you don't believe me," he remarks, "just take a look at McDonald's."

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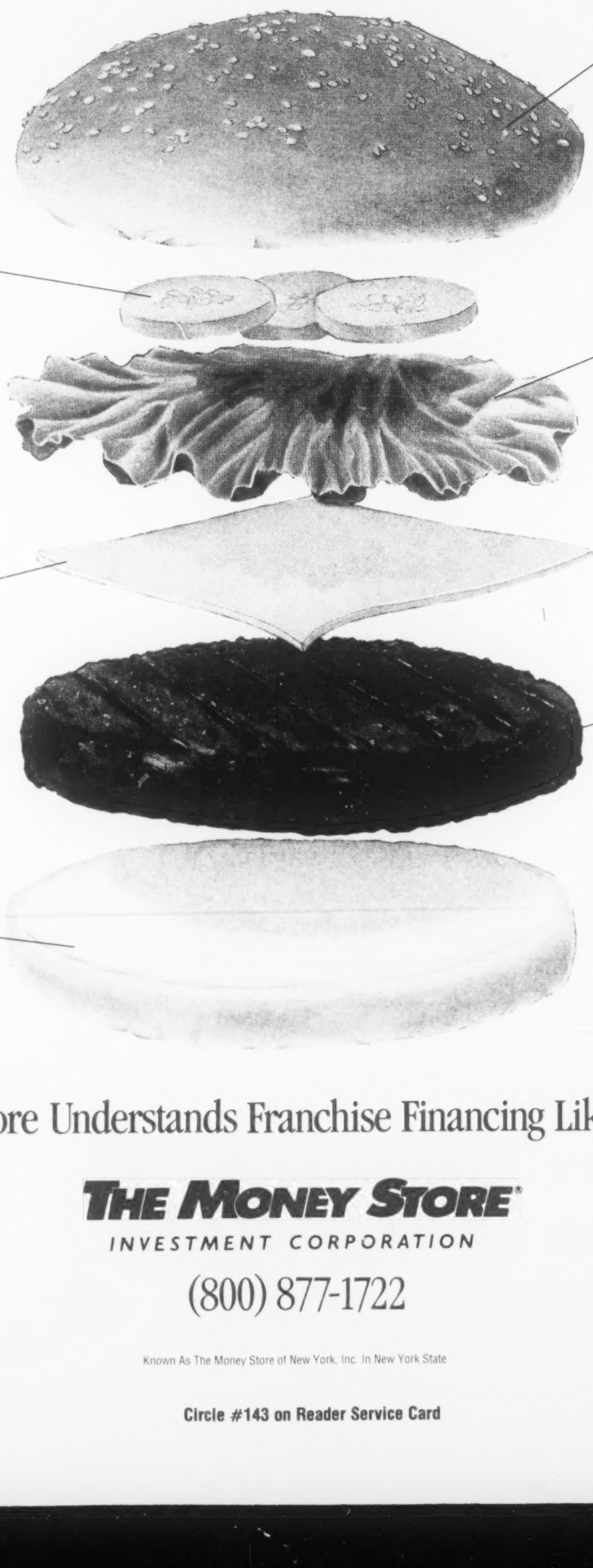

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TOP 100

Hotels check out patrons' needs

HOTEL CHAINS RANKED BY NUMBER OF U.S. HOTELS

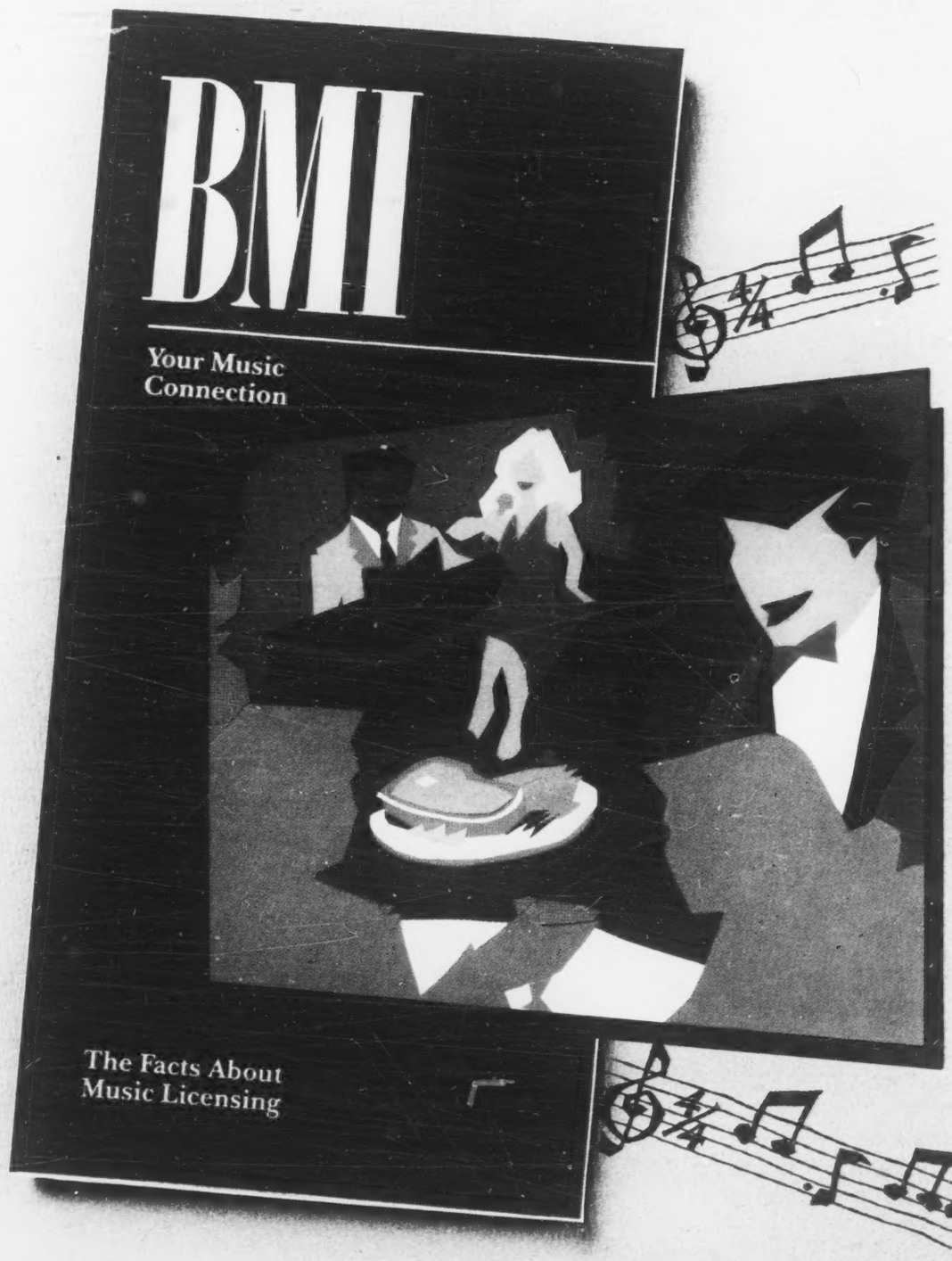
1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Year-end Number of Units Current	Last Full	Prior
1	1	Holiday Inns	Dec. '90	1,578	1,582	1,526
2	2	Ramada Inn	Dec. '90	459	498	501
3	3	Marriott Hotels & Resorts	Dec. '90	379	330	289
4	4	Sheraton Hotels	Dec. '90	338	321	340
5	5	Hilton Hotels	Dec. '90	269	261	270
6	6	Radisson Hotels	Dec. '90	179	152	122
7	7	Hyatt Hotels	Jan. '91	109	101	91
8	8	Westin Hotels	Dec. '90	34	34	33
		TOTAL:		3,345	3,279	3,172

Source: NRN Research.

HOTEL CHAINS RANKED BY TOP 100 MARKET SHARE

1990 Rank	1989 Rank	Chain	Fiscal Year Ends	Annual Market Share Current	Last Full	Prior
1	1	Marriott Hotels & Resorts	Dec. '90	23.08%	23.37%	22.32%
2	2	Hilton Hotels	Dec. '90	19.69	19.47	20.79
3	3	Sheraton Hotels	Dec. '90	19.63	19.26	21.56
4	4	Holiday Inns	Dec. '90	11.15	11.57	11.10
5	5	Hyatt Hotels	Jan. '91	7.80	7.48	6.70
6	8	Radisson Hotels	Dec. '90	6.70	5.88	4.75
7	6	Ramada Inn	Dec. '90	6.18	6.94	6.92
8	7	Westin Hotels	Dec. '90	5.77	6.04	5.85

Source: NRN Research.



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(Continued from page 88)

"We look at very simple concepts that have very hearty food — places like bistros, brasseries and cafes," Clawson says. "We're in development of a health and nutrition concept, and we're looking at a rotisserie concept that replaces the specialty restaurants we had years ago."

But, he quickly adds, "every menu is different. We start from scratch in each location, looking at the demographics."

In Southfield, Mich., the numbers called for a bistro called Tango's, which features a menu of such European items as ragouts, crêpes, pasta and simply prepared fish. In the morning the restaurant's bar, a rectangle at the entrance, is used as a countertop where single diners can have a quick breakfast.

"We don't do separate lounges anymore; our interest in that is gone," Clawson says. "We'll do a lobby bar or a bar right in the restaurant, but not something separate."

In Palm Springs, Calif., the Radisson was outfitted with Bolero's, a 300-seat place that features a blend of Californian, Southwestern and American Indian cuisines. The place retails the unusual spices used in its fare.

"We had the idea several years ago of becoming more like freestanding restaurants, and that's led us into the brasserie-style three-meal restaurant," he notes.

Room service in disguise

The major hotel chains are also copying freestanding foodservice facilities in an attempt to invigorate room service and banquet operations.

In an attempt to boost room-service sales, some Hyatt hotels recently began offering guests in-room meals of Oriental food packaged to look as if it came from a local Chinese restaurant. The program strives to provide customers with the same experiences they have at home when they order from a delivery place.

"We not only have the little cardboard boxes; we also put the boxes in a brown paper bag and staple a menu to it, just the way you get it from your local Chinese restaurant," Zadikoff notes. The meals are delivered to guests' rooms by room-service staffers.

Virtually all of the leading players have added pizzas to their room-service menus in an attempt to dissuade guests from having a pie delivered to

*(See **HOTELS**, page 129)*

NEWS

Hotels look to R&D to boost F&B business

(Continued from page 110)
their room by Domino's.

To make the pizzas seem as if they were baked by an outside pizzeria and delivered to the hotel, the properties have given them authentic-sounding brand names. For instance, Hyatt sells Roberto's Pizza, while Radisson offers Napolizza — The Pizza With Pizzazz.

At Radisson the pies are delivered by staffers wearing uniforms like those worn by Domino's deliverymen.

Hotel banquet-and-catering operations are also emulating their freestanding competitors in an attempt to capture a greater share of that high-volume market.

Many are expanding their scope to handle off-premises catering as well as in-house events.

"The Hyatt Regency in Chicago has its own off-premises catering company called Regency Caterers, which caters events all over the city," Zadikoff remarks. "You see its trucks all over town."

The properties are also attempting to modernize their on-site banquets.

"We're trying to get away from the boring sit-down affair," Clawson says. "We're trying to animate it, to get people on their feet." Toward that end, he said, Radisson hotels are experimenting with various themes that foster activity.

"Twenty-five, 30 years ago, you were very conservative with your banquet menus," Hilton's Kleiser says. "You had roast beef or chicken or something standard like that.

"Today you want creative appetizers, creative soups and creative salads," he continues. "People want to be entertained by the food."

Banquets have been a source of revenue growth during an otherwise trying time for hotel food and beverage departments. Industrywide, a foodservice operation's contribution to a hotel's gross revenues was on the average 13 percent lower in 1988 than the figure for the preceding year, according to Laventhol & Horwath.

As a result, "there's an increasing tendency to lease out an F & B facility or bring in an outside operator who will manage the facility for a fee," says L & H's Patterson. "A lot of hotels find that it's more profitable to collect an 8-percent royalty under a lease arrangement than it is to run the operation themselves."

For instance, restaurateurs under management contracts operate the restaurants in 95 of the 99 Embassy Suites hotels.

In the same vein many lodging chains are striving to reduce the number of restaurants they put in their hotels.

"The trend is moving toward having fewer outlets but making them more functional, more versatile," Hyatt's Zadikoff says.

"If it's more important today, it's because making a profit from [guest] rooms is a greater struggle," explains Laventhol & Horwath's Patterson.

The typical hotel lost an average of $429 per room in 1988, according to Laventhol & Horwath's most recent annual study of the U.S. lodging market.

"It's no secret that 60 percent of the hotels in the U.S. are losing money," Hilton's Kleiser notes.

"Demand has been growing modestly, but supply has been growing vigorously," Patterson says. "There's a big imbalance."

Fortunately, he adds, "it appears that the growth has stabilized. Laventhol & Horwath anticipates an improvement in the industry's health in the next few years."

Salvador's owner achieves high goals

(Continued from page 18)
ing toward goals at the age of 13, when he took a job in one of his father's factories in Guadalajara. He opened his first restaurant there at 17.

He and his wife, Guadalupe, moved back to Chicago, where he was born, after the government nationalized his father's factories. They managed to buy some small businesses without the help of bank financing, build them into successful Mexican restaurants and then sell them profitably.

Huerta credits many of his early suppliers, who trusted him to pay his debts, with helping him succeed. His first meat supplier, who stuck with him during the hard times, now gets orders for thousands of pounds weekly.

Huerta has not built any restaurants with more than 150 seats. "We turn away customers rather than sacrifice quality and good service," he maintains. His fourth Salvador's, scheduled to open this fall in suburban Willowbrook, will have 120 seats in the dining room and 30 at the bar.

As Huerta has grown more successful, he has helped Mexican immigrants get ahead. After assisting his employees with the legalization process, he started helping them buy their first homes.

He gets much satisfaction from seeing a dishwasher become a manager, he says, as more of his countrymen realize their own dreams. And, as a practical businessman, he admits that his employees will take better care of his customers if they personally feel good about what they are doing.

> As Huerta has grown more successful, he has helped Mexican immigrants get ahead.

Huerta recently got his recipe for the restaurants' Margarita mix bottled by one of the nation's major bottlers and distributed in several states. He says that he would like to see the mix distribution nationally by this time next year.

He says that the profits and name recognition he hopes to gain from sales of Salvador's Premium Margarita will allow him to develop Mexican restaurants in Europe, Canada and even the Orient. After several months of negotiations with a Swiss firm interested in becoming a limited partner in the European venture, he believes that dream also will come true.

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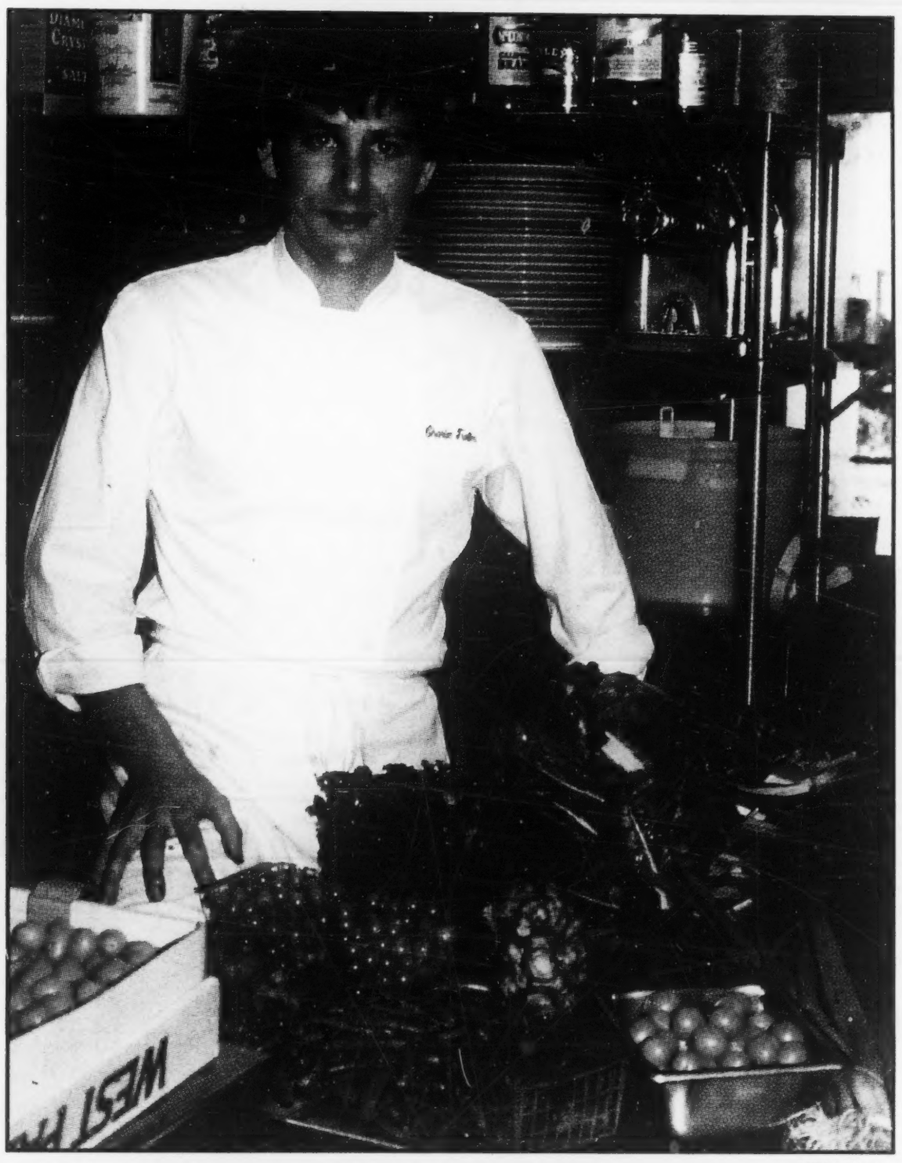
Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 32 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | August 13, 1990



NRN Photo

Charlie Trotter, chef and co-owner of Charlie Trotter's, shows off some of the organic produce he uses in his restaurant.

Fine-dining operators turn to organic foods

Public concerns over nutrition, pollution outweigh higher costs for some chef-owners

by Carolyn Walkup

As nutritional concerns and a heightened sensitivity to the environment emerge as two of the most emotionally charged issues of the 1990s, a growing number of fine-dining operators are responding by turning to produce grown organically and meats from animals that were fed chemical-free diets.

Most proponents cite superior flavor and a concern for food safety as reasons for switching away from foods grown with synthetic fertilizers or pesticides.

Bern Laxer, owner of Bern's Steak House in Tampa, Fla., has been serving organic vegetables from his own garden for about 30 years. "It's healthier to eat," he said. "You know that you don't want to eat any pesticides or chemicals."

"Healthier" foods emerge as critical
Charles Bernstein/Page 23

And, he added, "there is *no* question about flavor."

Peter Zimmer, chef at Jack's on Woodway in Houston, put it more bluntly: "We are getting sick of all the junk they are putting in our food."

A handful of operators, however, tend to take a more philosophical approach. One of the leading advocates of organic restaurant foods, Alice Waters of Chez Panisse in Berkeley, Calif., maintained that reasons to serve organic products go beyond nutrition and taste.

"It's a matter of saving this planet," she said. "It's important to buy things from people who are taking care of the land."

To be sure, chefs and restaurateurs are by no means of one mind where organically raised foods are concerned. Higher costs of organic products are a deterrent to some operations.

Costs, for instance, typi-

*(See **ORGANIC**, page 59)*

Del Taco names BK exec to replace Armstrong

by Alan Liddle

COSTA MESA, Calif. — Former Burger King Corp. executive vice president Kevin K. Moriarty has been named president of Del Taco Inc., replacing Wayne W. Armstrong, the company's chief executive officer of nine years and the leader of a management buyout in January.

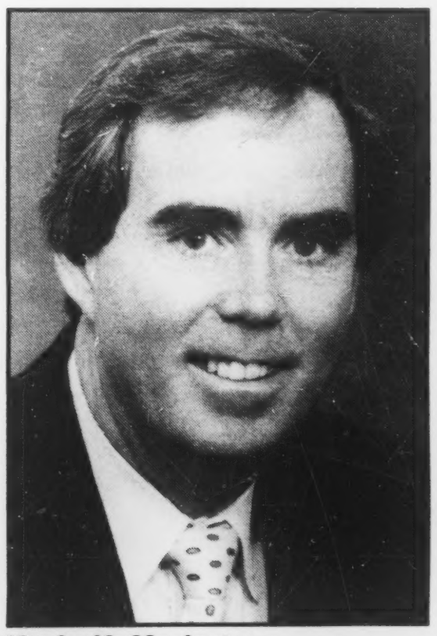
Officials of 339-unit Costa Mesa-based Del Taco, the nation's second-largest operator of Mexican fast-food restaurants behind Taco Bell, issued a statement saying Armstrong had resigned to "pursue other interests."

Armstrong could not be reached for comment, but sources familiar with the company indicated he had given up his interest in the chain, which operates or franchises Del Taco and Naugles restaurants in California, Arizona, Nevada, Illinois, Missouri and Utah.

"My blood started to boil with excitement," Moriarty, who most recently headed up Burger King's North Central and Western divisions, said of his reaction to the Del Taco concept. He said he had been unfamiliar with the concept before being approached about the president's job.

"The Mexican segment is healthy, the Del Taco brand is strong and the changes they

*(See **MORIARTY**, page 59)*



Kevin K. Moriarty

Waste not, want not

McD, ecology group team up for study on fast-food garbage

by Peter O. Keegan

WASHINGTON — In an unusual political alliance, McDonald's Corp. and the Environmental Defense Fund have formed a task force to explore solutions to the nation's growing solid-waste crisis.

"There are moments in time when even powerful opponents should sit down and talk," said EDF director Frederick Krupp at a press conference here. "Americans have set a new standard for environmentally ethical behavior for corporations as well as individuals."

"We've decided to join hands and work together," said Shelby Yastrow, McDonald's senior vice president and director of environmental affairs. "We're very serious about the environment and very serious about making this work."

EDF, which has a goal of recycling 50 percent of the nation's 160 million tons of yearly trash by 2000, is hoping to help McDonald's establish a "blueprint for the industry" by implementing waste management programs recommended by the task force.

The 10-member task force, spearheaded by Krupp

*(See **MCD**, page 58)*

Rensi to keynote at MUFSO 90
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Subscription rate: Food-service operators and wholesalers/distributors, one year $34.50; 2 years $55.00; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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NEWS BRIEFS

Bush health official opposes mandated health insurance

WASHINGTON — In a fortunate turn of events for the foodservice industry, the Bush administration's top health official has declared his strong opposition to proposals that would require employers to provide every employee with medical insurance.

Louis Sullivan, U.S. Health and Human Services secretary, said he would not consider mandated health-insurance plans when he drafted his recommendations for making medical care more accessible to uninsured Americans. The White House will use Sullivan's directives to formulate a new health policy.

"By adding overly burdensome mandates on business, we could retard economic growth and constrict employment opportunities," Sullivan said in a speech in Atlanta. "Without job creation — or [possibly] job destruction — we could end up with more, rather than fewer, persons lacking health insurance."

The industry has wielded the same argument in its lobbying against mandated health benefits. The trade has also asserted that the high cost of insuring every staffer would force many places out of business.

Earlier this year, a blue-ribbon panel advised the federal government to adopt some sort of universal insurance plan as a means of extending coverage to an estimated 31 million unprotected Americans.

Bob Evans realigns, names Wood vice chairman

COLUMBUS, Ohio — Bob Wood, longtime head of the Bob Evans family restaurant chain, has relinquished day-to-day control of the operation to Victor Argobright, group vice president of restaurant operations.

Wood, formerly chief operating officer of the 243-unit restaurant division, moves up to the newly created post of vice chairman of its parent company, Bob Evans Farms Inc.

The changes were part of a management realignment that divided the company into seven separate operating groups each headed by a division vice president.

In lieu of the company's traditional three-prong operating alignment consisting of family restaurants, Owens Country Sausage and Bob Evans Farms Sausages, Bob Evans' will operate the following divisions: food products; restaurant operations; business development; real estate construction and engineering; marketing, purchasing and technical services; finance and administration; and corporate development.

The restructuring eliminates job duplications, a company representative said, noting no layoffs had occurred.

Judge, creditors approve Pizza Inn reorganization

DALLAS — A federal bankruptcy judge and creditors have approved Pizza Inn's plans for reorganization, thus ending its 10-month sojourn under Chapter 11 bankruptcy protection and paving the way for conversion into a new company dedicated to franchising restaurants and not operating them.

At the same time Pizza Inn has signed its first international and domestic master franchise agreements, a key component of the restructuring plan. Master franchisees, which share in the recruitment of new operators, receive an equal share of the company's royalties and fees.

Japanese franchisee Pacrim Pizza in Yokosuka, Japan — which operates the highest-volume units in the 425-restaurant chain — has signed an exclusive right to develop 20 restaurants in Japan and Thailand.

Mississippi franchisee Bob Singh has signed a similar area-developer agreement to open 12 units.

Parental leave veto holds up

WASHINGTON — Congress has failed to override President Bush's veto of legislation that would have required employers to grant staffers as many as 12 weeks of unpaid leave to deal with an ill or newborn family member.

However, several Democratic lawmakers have already vowed to revive the measure during the next session of Congress. And some have said they will turn the Republican party's rejection of the family-leave legislation into a campaign issue during this election year.

The foodservice industry has lobbied strenuously against the measure because it would have forced employers to recruit additional personnel from a drum-tight job market. In addition, the law would have required some employers to pay for two sets of health benefits: one for the employee on leave and one for his or her replacement.

Grand Met names foodservice head

LONDON — Grand Metropolitan has named Peter M. Thompson chief executive officer of its food-sector brands division, responsible for Pillsbury International, Häagen-Dazs and Grand Met Foodservice USA.

In Grand Met's corporate hierarchy, Thompson's appointment makes him equal in rank to Barry J. Gibbons, chief executive officer of the company's fast-food division, Burger King, said spokeswoman Mary Carroll.

Both executives report to Ian Martin, chairman and chief executive of the food sector and the highest-ranking Grand Met executive in the United States.

KFC opens unit on military base

FORT CAMPBELL, Ky. — Kentucky Fried Chicken has opened its first military base unit at Fort Campbell here.

The new, 5,000-square-foot restaurant is being operated by Bowling Green, Ky.-based franchisees Mabel and Larry Mays and Terry and Janet Rogers. The 121-seat outlet is offering chicken and other standard KFC fare to more than 30,000 military personnel stationed at the U.S. Army base as well as their families and other daily visitors.

Bingo debate delays Rank, Mecca merger

LONDON — The number of bingo parlors in London that will be owned and operated by the Rank Organisation after its proposed merger with Mecca Leisure has emerged as a potential stumbling block in the completion of the deal.

British regulators — specifically the Monopolies and Mergers Commission, the English version of the Federal Trade Commission — are reviewing an agreement by the Rank Organisation to resolve some anti-competitive features posed by its merger with Mecca.

Rank, which struck a deal for majority ownership of Mecca in early July, and Mecca are both major bingo hall operators in London. Mecca Leisure USA, a subsidiary of Mecca, operates scores of theme parks, restaurants and nightclubs from its Orlando, Fla., base.

The London investigation began after the Department of Trade and Industry questioned the near monopoly in bingo parlors Rank would operate after the merger.

Founders sell Monument Inn

HOUSTON — Dick and Glenna Tannenbaum, the husband-and-wife team that founded the Atchafalaya River Cafe chain, have sold their landmark Monument Inn restaurant to Ann and Bob Laws for nearly $1 million.

The Tannenbaums said they divested the 500-seat place to launch a new restaurant concept. Details were not disclosed.

Ann Laws was director of operations for the 5,000-square-foot Monument at the time of its sale. She first worked for the Tannenbaums as a waitress at an Atchafalaya Cafe in the mid-1980s. She rose to director of operations of the chain, which now has four units. The Tannenbaums sold the restaurants to the Laurenzo family in 1989.

Bob Laws previously owned Gala Catering Co., an off-premises catering concern.

FINANCIAL NEWS

7-Eleven's Japanese partners agree to revised takeover bid

by Milford Prewitt

DALLAS — The Southland Corp. and two large Japanese 7-Eleven franchisees have agreed on a new restructuring plan that will lead to the Japanese gaining the majority ownership of the largest convenience store chain operator.

Since an announcement in April that its Japanese partners would buy the company for $1 billion, Southland has been hammering out a plan to appease its bondholders and other investors who, in some cases, will lose more than 50 percent of their investment in the company.

Southland's soon-to-be parents, Ito-Yokado Co. Ltd. and Seven-Eleven Japan, have said they would bail the company out of its financial morass and acquire 70-percent ownership contingent upon the bondholders, bankers and other investors agreeing to the terms of a complicated exchange of bonds with lower maturity yields and accepting a new issue of stock.

The goal of the entire effort is to raise some needed cash to help the Southland Corp. — which is virtually on the brink of bankruptcy and which lost $1 billion in its fourth quarter ended March 30 — pay off $1.7 billion in debts. The company has yet to release its first-quarter results.

Much of the company's travails are linked to the Thompson family's $4.8 billion leveraged buyout in 1987, mostly financed by junk bonds, an equity source that has lost favor in recent months with investors.

More substantially, however, 7-Eleven has been pressured by a market saturated by too many stores and the success of gasoline operators selling convenience store merchandise and fast food.

Meanwhile, Southland announced that in an effort to preserve cash liquidity, it did not make a June 15 interest payment on other debt securities and that it does not intend to make a principal payment related to the leveraged buyout. The company said the banks that financed the leveraged buyout understand the company's decision for not making the payments.

> "Overall, holders of more than 70 percent of our senior reset notes have indicated their support of the revised terms."

Fast-food sales account for about 12 percent to 15 percent of unit sales in the convenience store segment. According to the NRN Top 100, 7-Eleven's average unit sales from fast food will hit $143,000 this year. In fact, the chain was ranked 100 on NRN's annual ranking of chains listed in descending order of sales per unit.

Although the key terms of the deal will remain intact — that is, the Japanese partners will become the majority owners of Southland with an immediate infusion of $430 million in cash for 70 percent of the stock — some aspects of the deal have changed since April.

Among the most significant revisions is that after the Japanese pump in their capital, bondholders and preferred shareholders will receive a total of approximately 25 percent of Southland's common stock and existing owners of the common shares will end up with approximately 5 percent of the company.

When the plan was announced in April, shareholders of common stock would have maintained 15-percent ownership of the company.

The reduced amount of common stock held by current investors will be effected by a 1-for-10 reverse stock split, which will lead into an even more elaborate bond swap affecting five different classes of junior and senior subordinated debentures.

At the top of the heap, investors who held the company's $1,000 senior bond at 13.5 percent interest, payable in 1995, will get a $475 bond, 86.5 percent shares of common stock and $57 in cash.

On the lower rungs, holders of the $1,000 junior subordinated bonds with principal amount due in 2004 will get a $257 bond, 4 percent of the preferred stock and 11 shares of common stock per bond.

Within those two ranges, the principal amounts of the bonds will descend in value although each class will be eligible to receive some percentage of both common and preferred stock.

The Securities and Exchange Commission has given the green light to the plan.

Craig Matthews, chief financial officer of Southland, expressed optimism that the bondholders would accept the revised restructuring plan.

"We are pleased that our negotiations with the bondholders committee have proceeded so well," Matthews said in a statement. "Overall, holders of more than 70 percent of our senior reset notes have indicated their support of the revised terms.

Ito-Yokado, one of the new Japanese owners, also owns 51 percent of Denny's Japan.

FOOD PRICE OUTLOOK

Green coffee prices move up

by Patt Patterson

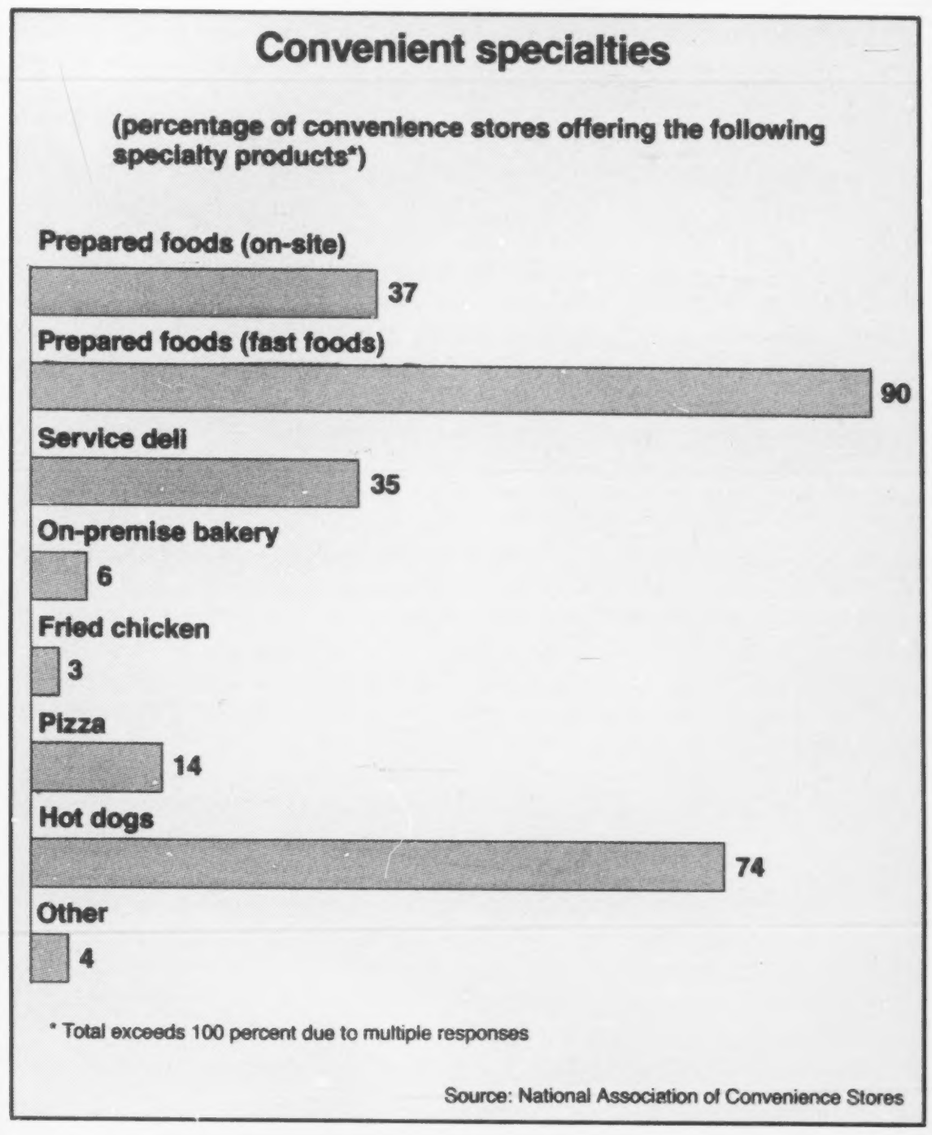
It's a funny thing about coffee. Immediate prospects don't always impact the price the operator pays. At least, not immediately. The price of green coffee has just gone up a bit, and the futures prices have escalated.

There's doubt about how rains have affected Brazil's crop, how the low prices of the past year have affected production and whether the Brazilian government's new support for coffee producers will hold supplies off the market until prices raise. What moderates those influences on your price for roasted coffee is the large inventories most roasters maintain. It often takes three to six months for changes in the price of green beans to work their way down to the price per pound the operator pays for roasted coffee. But be warned: There may be increases in the future.

Expected hot-weather impact on **broiler** prices didn't occur. Prices are actually down from last year's at this time. Heavy production seems to be the reason, running from 5 percent to 6 percent above last summer's. **Pork** prices remain higher than last year's, even though slaughter has increased over the past month or so. **Beef** prices are expected to remain fairly stable for the next few weeks.

Canned tuna prices may be moving up. Catches have been down, and foreign producers, particularly Thailand, are considering price hikes based on higher raw-material costs. The **canned salmon** outlook is good. So far the **pink salmon** catch seems to be on target. The pack of **red salmon** is expected to be about the same as last year's, with possible price reductions as inventories increase.

FACT FILE



FINANCIAL DIGEST

Circle K loses $747.4 million in 4th Q

PHOENIX, Ariz. — Circle K, operating under Chapter 11 and embroiled in a costly restructuring program, lost $747.4 million in the fourth quarter ended April 30, on a 3-percent decline in revenues, to $907.1 million.

For the year the second-largest convenience store operator lost $772.9 million vs. a profit of $15.4 million for the preceding fiscal year. Revenues rose 7 percent, to $3.7 billion, for the same period.

The beleaguered company's losses included a reorganization and restructuring charge of $639.3 million.

Circle K has been straining under the load of more than $1.1 billion in debts — much of it low-grade junk bonds — it needed to fuel its aggressive chain expansion between 1983 and 1988.

The company operated 4,631 convenience stores at the end of the quarter. In 1983, before it started its expansion drive, Circle K operated 1,300 units.

McDonald's debt rating is raised

NEW YORK — Just days after McDonald's second-quarter results prompted a sell-off that some experts say sparked a 100-point drop in the Dow Jones industrial average, a major debt rating service has accorded the fast feeder's debt the second-highest status attainable.

Duff & Phelps Inc. said it has upgraded the credit rating on McDonald's long-term debt to AA+ from AA.

Of the seven basic debt rating grades, the AA+ is the second best, behind a triple A. Debt rating grades are used by investors and lenders as signposts of a company's ability to pay off and secure debts. In McDonald's case the rating affects more than $1 billion in senior debt.

"This rating reflects a number of strong qualitative and quantitative factors, heading the list is a relatively young management team which is very experienced and committed to maintaining the company's pre-eminent position in the restaurant industry," a D & P statement said. "Our rating recognizes the intensely competitive nature of the restaurant industry as well as McDonald's aggressive new store opening program."

Dairy Queen's 2nd-Q net climbs 10%

MINNEAPOLIS — International Dairy Queen said customer acceptance of its new, cholesterol-free frozen yogurt is partly responsible for a 12-percent gain in revenues, to $83.5 million, for the second quarter ended June 1.

During the same period net income rose 10 percent, to $7.9 million.

For the six-month period, revenues rose to $141.1 million, a 12-percent improvement over the figure for the year-ago period. Net income for the half-year mark increased 15 percent, to $12 million.

Approximately 2,700 restaurants in the 5,000-unit chain are offering the no-cholesterol yogurt product.

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Vol. 24, No. 33 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | August 20, 1990

Iraq crisis boosts food costs

Higher fuel costs primed to pinch industry margins, consumer spending

by Paul Frumkin and Rick Van Warner

The nation's foodservice industry is facing a jolt in food costs sparked by the flare-up in the Middle East.

As U.S. military forces maintained their tense vigil, foodservice experts were scrambling to assess the potential damage.

Most observers agreed that operators in the restaurant and hospitality industries would soon see price increases in both domestic and imported products as a result of increased oil prices, but they were divided over duration and severity.

Higher fuel prices were not expected to lead to an immediate slowdown in tourism despite the spike in the cost of airline tickets, but the long-term picture was cloudy.

In addition, experts were worrying that consumer budgets, pinched by higher energy costs, would dampen the public's enthusiasm to eat out.

But the most immediate blow to operators is expected to come in the form of higher food bills.

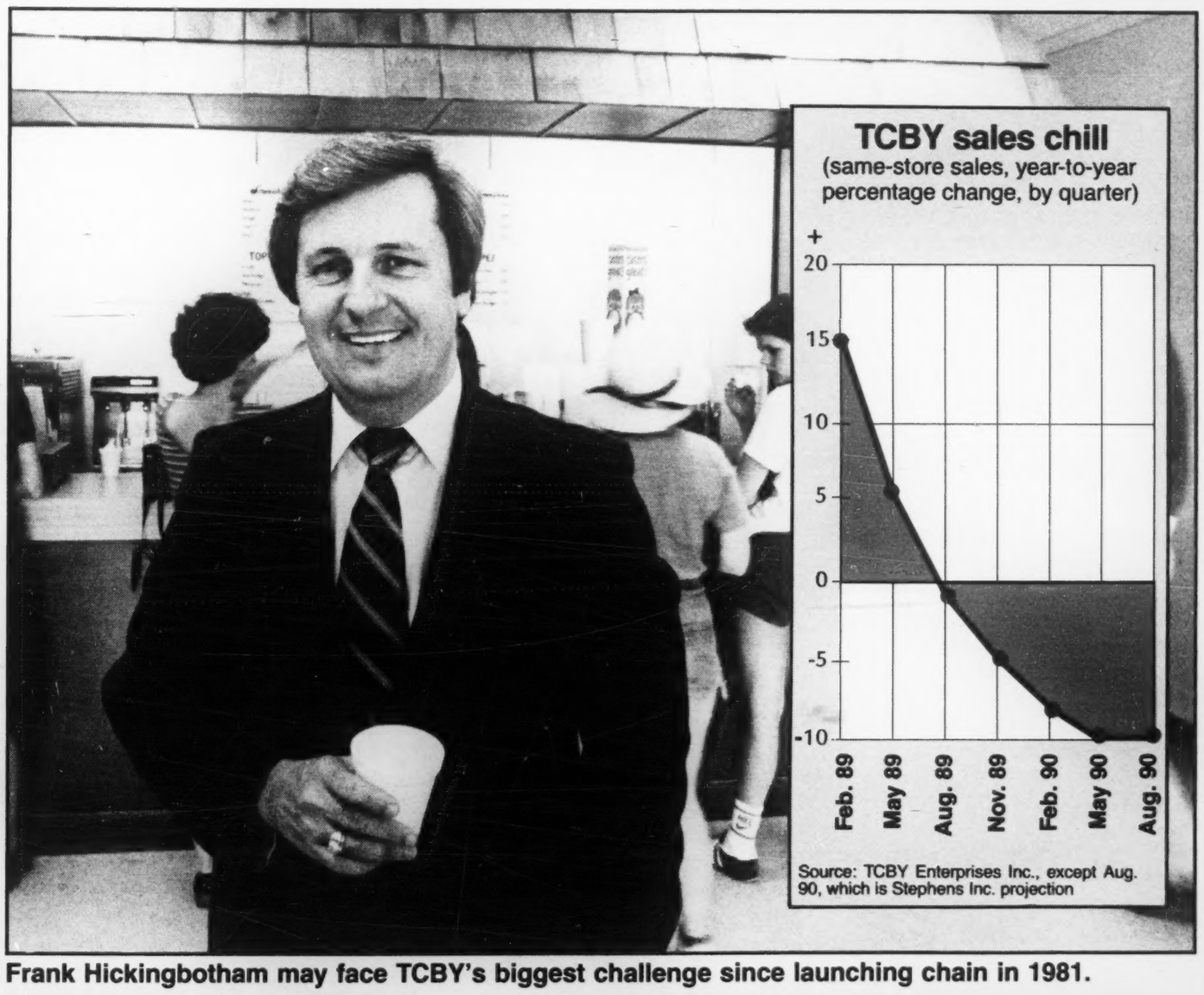
Increased transportation costs throughout the distribution pipeline will leave foodservice distributors with little recou rse but to pass price hikes on to operators, experts said.

Ron Paul, president of the Chicago-based research firm Technomic, said the higher fuel costs could raise the cost of supplies that distributors purchase by 3.5 percent to 4.5 percent.

"The bump caused by oil alone is more than their typical profit margin," Paul declared. "They'll have to pass it along, and the restaurant operator will probably have to pass it along. It's too big to absorb."

And since most distributors do little hedging, "they're hanging out there naked," he added. "They'll feel it quickly, probably within 30 days."

(See IRAQ, page 4)



Frank Hickingbotham may face TCBY's biggest challenge since launching chain in 1981.

Franchise unrest mounts as sales melt at TCBY

by Bill Carlino

LITTLE ROCK, Ark. — Citing four quarters of sales declines, ineffective advertising, high frozen-yogurt mix prices and territorial infringement violations, licensees of the TCBY frozen-yogurt chain are enraged.

They are demanding new marketing strategies, price reductions for the yogurt mix they buy from the company and unit overlap protection for their locations.

For founder and chairman Frank D. Hickingbotham and son and president Herren C. Hickingbotham, the franchisee unrest appears to represent one of the chain's biggest challenges since the first store opened here in 1981 under the since-abandoned This Can't Be Yogurt name.

On Wall Street TCBY's stock price has fallen from $28 a share in early April to about $12 recently.

Outspoken store owners of the 1,800-unit operation, contend TCBY's corporate management has appeared indifferent. "There's a good-ol'-boy

(See TCBY, page 61)

Foodservice fights new civil rights act

Bill strengthens discrimination claims, penalties against employers

by Peter Romeo

WASHINGTON — After a bruising string of defeats, foodservice lobbyists are bracing for a final firefight with Congress over legislation that could lock operators into legal disputes with employees.

Industry leaders assert that restaurateurs' freedom to hire and promote would also be constrained by the civil-rights measure, which the House and Senate have already approved.

"This is a bad one," somberly noted Elaine Graham, a National Restaurant Association lobbyist on Capitol Hill. "It's really going to change the nature of employer-employee relations."

The legislation, the landmark Civil Rights Act of 1990, seeks to aid job discrimination victims by enabling anyone who believes his or her career was hampered by prejudice to sue an employer for a large sum of money. A jury would decide whether or not discrimination had taken place and what sum of money the plaintiff should be awarded.

Currently, only employees alleging racial discrimination are permitted to sue for damage payments. In virtually all other cases, plaintiffs can seek nothing more than back pay, the job or the promotion they were denied because of prejudice, and court fees.

And they can file a suit only after first seeking redress from the Equal Employment Opportunity Commission, a government arbiter. In effect, only appeals of the EEOC's rulings are brought into court.

As a result, less than 7

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 33 August 20, 1990

NEWS BRIEFS

July wholesale food costs flat

WASHINGTON — For the second month in a row, wholesale food costs rose 5 percent in July on an unadjusted year-to-year basis, but the increase reflects a flattening rate of inflation.

The stabilizing rate of increase in wholesale food costs — or finished consumer foods, as it is called in the Department of Labor's monthly producer price index — was one of the reasons the overall index actually declined in July for the first time in more than a year. The PPI declined one-tenth of 1 percent on an annual basis.

In May, the finished consumer foods component rose 4.8 percent.

Within specific food groups, there were wide variances among wholesale prices in annual unadjusted comparisons. Dairy products were up 10.8 percent and cheese followed suit with a 12.2 percent increase, but poultry prices declined 5 percent.

Dairy Queen in talks to absorb Druther's outlets

MINNEAPOLIS — International Dairy Queen, franchisor of the 5,200-unit Dairy Queen chain, is in talks with Druther's International Inc., the Louisville, Ky., fast-food operator, to convert that 140-unit operation to Dairy Queen stores.

Before an agreement is reached, a Dairy Queen representative said franchisees for both operations would be allowed to study the plan to prevent instances of territorial overlap.

Should the parties agree to terms, about 100 franchised and company-owned Druther's Restaurants could be added to the Dairy Queen chain over the next 30 months.

In instances of infringement, the Druther's Restaurants could possibly be added to the Golden Skillet chain, Dairy Queen's family-style restaurant concept.

Kuleto, McCormick join forces

SAN FRANCISCO — Well-known California restaurant designer Pat Kuleto said he is going into the restaurant business with Portland, Ore., restaurateur and seafood distributor Bill McCormick.

Kuleto said he and McCormick have acquired the old Maxwell's Plum site at Ghirardelli Square here and plan to transform it into a 15,000-square-foot ocean-view seafood restaurant.

The two men have known each other for many years. Kuleto first dabbled in restaurant design as a contractor working for McCormick, who was then with The Refectory steakhouse chain.

Kuleto has won acclaim for his design work on several restaurants, including Postrio, Lascaux and the Fog City Diner in San Francisco. In addition to a seafood company, McCormick and his partner, Doug Schmick, operate several restaurants in the West and Northwest, including Jake's Famous Crawfish in Portland.

Santa Cruz county supervisors eye packaging ban

SANTA CRUZ, Calif. — County supervisors here have tentatively approved a ban on polystyrene foam packaging for food after finding that a voluntary cutback by businesses had reduced usage by less than one third.

The ban — which was approved in concept — will be on the board's agenda again Aug. 28, at which time the provisions for penalities will be discussed. It comes up for a final vote Nov. 13, and, if approved as expected, the ban would become law on Jan. 1.

Drafts of the penalty language indicate that violating the ban will be a misdemeanor punishable by fines of up to $1,000 per day or jail terms of up to six months or both. However, the proposed penalty language also indicates that a business could only be cited for violating the ban if it continues to use polystyrene after the county or a private citizen has gone to court to obtain an injunction.

Horn & Hardart sells 22 Fla. units back to Arby's

NEW YORK — Horn & Hardart is selling 22 franchised Arby's units back to Arby's Inc. as part of the company's ongoing effort to divest itself of its East Coast restaurant holdings.

Arby's will pay H & H $5 million for the units, which are located in Dade, Broward and Palm Beach counties in south Florida. The sale represents H & H's termination of restaurant operations in the Florida area.

The 80-year-old company is undergoing a restructuring program that will enable it to concentrate on a more profitable arm of its business, The Hanover Cos. The 60-year-old mail-order marketing company distributes a range of catalogs in the home decor and clothing fields.

H & H is also in negotiation to sell its remaining restaurant concepts and real estate assets, according to Donald Schupak, chairman and chief executive officer.

Improper billings cut Marriott earnings

WASHINGTON — Marriott Corp. said improper billings to about 1,400 clients under its foodservice and facilities management roster will slash third-quarter earnings by about $8 million.

The company said that a self-initiated audit uncovered "inconsistencies" between charges made to clients in its Food & Services Management Division between 1985 and 1990 and the terms of their respective contracts.

According to a Marriott spokesman, the discrepancies resulted from different billing procedures, which were employed by a number of foodservice companies acquired by Marriott over the five-year period in question, and from overbilling for services not covered by the contracts.

As an example of these extra services, Marriott cited instances of charging clients for worker training, an expense not covered in the contracts.

The unauthorized billings, which totalled about $14 million on a pre-tax basis, will be credited to the respective clients' accounts resulting in the third-quarter charge of $8 million.

The client portfolio affected by the over-billing includes hospital foodservice operations, schools, government agencies and business and industry accounts.

McDonald's seeks to open in Poland

WARSAW — McDonald's has met with government representatives here to discuss the possibility of opening a unit of the U.S. fast-food chain in Poland, according to one official.

Jacek Czerwinski, Poland's director of regional policy here, told Dow Jones Newservice that a restaurant could not be opened for at least another year because of such logistical problems as finding suppliers. McDonald's has already penetrated several Communist Bloc nations, including the U.S.S.R.

In other company news, McDonald's has teamed with Nintendo for a month-long children's promotion that aims to capitalize on the popularity of Nintendo's Super Mario Bros. video game.

Under the nationwide program, children will be invited to hurry down to the nearest McDonald's for a Super Mario Bros. 3 Happy Meal. The packaged deal includes a hamburger or Chicken McNuggets; french fries; and one of four toys based on the newest of the three Super Mario games now on the market.

KFC names home delivery head

LOUISVILLE, Ky. — Dan Smith, former vice president of European operations for Domino's Pizza, has been named vice president of home delivery for Kentucky Fried Chicken.

Smith fills the post vacated by Kyle Craig, who was appointed president of KFC USA in March. Prior to his appointment, Craig had been working with Wayne Calloway, chairman and chief executive of KFC's parent company, Pepsico Inc., running the home delivery test program. KFC is currently testing home delivery in Lousiville, Ky., Columbus, Ohio, and in five Chicago suburbs.

NEWS

Iraq crisis to push up food costs

(Continued from page 1)

Early indications were that prices already were being hiked to offset higher fuel prices.

"Whether meat or whatever the product, to some extent it has already had an impact on pricing," said David Jones, executive vice president of ComSource, the Atlanta-based cooperative representing 138 independent distributors. "Because of freight costs, it's impacting virtually everything we do. There is a lot of concern about it."

Where operators are concerned, clearly the signs for the short term are not encouraging.

"I think distributors are going to have to reflect it right away," said New York economist Malcolm Knapp. "Their margins are too thin to absorb it."

However, Knapp noted, the fact that bumper crops of many foods are near to harvest should help keep overall food costs in line.

"The size of crops should offset the short-term fuel increases," he said. "The crop yield is a bigger factor this year than the cost of oil at this point."

Ray Daniels, food and agriculture senior vice president of the Bala Cynwyd, Pa., economic forecasting firm WEFA Group, agreed.

"The impact on the wholesale cost of food is negligible; it's a small percentage," Daniels said. "The big effect is how much I've got to pay out of my pocket at the pump. The run-up in gasoline prices will make consumers a little more hesistant to eat out.

"And with tighter budgets, there's a tendency to slow down on the number of trips away from home."

Energy costs represent 4 percent to 5 percent of every dollar spent on food at the retail level, said U.S. Department of Agriculture economist Dennis Dunham. "The increased costs of business will get passed along."

At the same time fuel-price increases are bound to have even more of an impact on European and Asian countries almost totally dependent upon imported oil. According to Stephen Zagor, manager of restaurant consulting for Laventhol & Horwath in New York, that aspect of the equation will be apparent in the resulting higher price of imported food products used by fine-dining restaurants — many of which are already struggling with depressed sales. "Anyone who is dependent upon imports and who doesn't have a lot of leverage is at greater risk," Zagor said.

Furthermore, takeout operations could also feel the fuel bite in increased foam and plastic packaging costs, since oil is a major component in the manufacture of those products.

Meanwhile, an almost instantaneous reaction to the oil crisis was a sharp increase in the price of airline tickets by many major domestic airlines. The Washington, D.C.-based Air Transportation Association of America reported that higher jet fuel prices were hurting the airline industry and that most companies, if they had not done so already, would indeed be passing the costs on to their customers in the near future.

> "Whether meat or whatever the product, to some extent it has already had an impact on pricing. Because of freight costs, it's impacting virtually everything we do. There is a lot of concern about it."

To some degree, fare hikes varied from carrier to carrier, but several major airlines, including Pan American, Northwest and American, quickly announced increases of 10 percent.

That move prompted speculation that all travel would be impacted by the oil hikes. "Almost any destination-oriented traveling will be affected in the long run," Zagor predicted.

That thinking was apparent on Wall Street immediately following the outbreak of the Mideastern crisis when the price of Walt Disney's stock dipped dramatically and then rose again — a reflection of investor uncertainty concerning future business at the company's sprawling theme park empires in Florida and California.

Nevertheless, many travel experts remain generally optimistic concerning the impact of the crisis on overall tourism — provided that the situation does not escalate. Jill Collins, a representative of the U.S. Travel & Tourism Administration in Washington, D.C., acknowledged that while increased oil costs undoubtedly would have some effect on inbound tourism from other countries, it would not be in the short term.

"We won't see an immediate impact," Collins explained. "Most people have prepaid their tickets and won't change their travel plans."

In fact, the U.S.T.T.A. is currently projecting a banner year for foreign visitors to this country. "Over 40 million people are expected this year, compared with 38 million last year," Collins added.

In terms of U.S. citizens traveling at home, the prognosis tends to be mainly upbeat. "It will probably affect the industry somewhat," said Shawn Flaherty, a representative for the U.S. Travel Data Center in Washington, D.C. "But business will come back again. The fuel costs are only one factor, and they shouldn't cut people's travel plans."

Some travel executives even see a silver lining in the Mideastern cloud. George Guenther, president of the National Tour Association, observed that vacationers considering travel by automobile may reconsider in light of increased fuel costs and switch to escorted bus tours.

And, he added, "my best guess at this point is that the cost of [bus] touring will not increase for the balance of the year."

Buckhead serves as battle site for luxury hotel wars

(Continued from page 3)

Lenox in Buckhead this summer, is continuing to operate the former Westin's Swann Room — a traditional signature concept that has tried unsuccessfully to establish a culinary reputation in the same neighborhood with the Dining Room since it opened in 1988.

While Marriott admitted it is planning concept changes at the Swann Room, director of restaurants Brian Crawford would not talk about the planned theme or price points. The Swann Room's dinner checks now average $33.

"Everything is tentative," Crawford said. "We have several things in mind, but what the final concept will be we just don't know."

Meanwhile the Buckhead Ritz-Carlton, which operates The Lobby Lounge, The Bar and an all-day concept, The Cafe, as well as The Dining Room, believes its service philosophy, called "ladies and gentlemen serving ladies and gentlemen," will win the luxury war as it levels its guns for the coming hospitality shootout.

"We're not changing the concepts, just the standards of service," said Joseph Violi, the Ritz-Carlton Buckhead's food and beverage director.

Thus, the mission for Nikko and Swissôtel — and now the J.W. Marriott — will be how to position their dining concepts in a glut of already established Buckhead destinations, from Hedgerose Heights and Pano's & Paul's at the high end to Frogs, J. Paul's and newly opened Azalea in the casual niche.

Accepting the mission, Nikko will serve southern French and Mediterranean plates as well as the spicy Cassis and Bandol wines of that coastal region, known for its bouillabaisse.

"Comfort is the operative word," added Nogulich, who will offer "informed" table service. "One of my biggest peeves is hearing a waiter say, 'I'll check,'" he said, noting that service leaves a longer-lasting taste in a guest's mouth than does food.

Defending the economics of a three-meal restaurant, Nogulich nevertheless admitted the operation side would be a challenge. He intends to promote a fast 50-minute business lunch, which he'll use to cultivate dinner patronage.

"It's tough trying to turn between meal periods without stopping," Nogulich added. He explained that it would take staggered shifts and tight organization to accomplish it — particularly on weekends when late breakfast and lunch back up.

"But the days of three kitchens are over," Nogulich said. "We don't have back-of-the-house luxuries any longer. Now we've got efficient systems taking care of both the room service and the restaurant."

The heart of Swissôtel's food operation will be the 92-seat restaurant, "headed by a culinarian, not an administrator," Pitton claimed. The terrace-lounge will have a wine-and-piano-bar feel, where wine will be marked up 100 percent rather than the more standard 200 percent, he added.

Pitton bought a custom-designed contemporary china pattern to go with the white porcelain and blue granite Swissôtel exterior that fronts Peachtree Road — nearly across the street from the Buckhead Ritz-Carlton.

"People are ready for an alternative," insisted Pitton, who claims jeans will be welcome in the cafe. "We'll do elegance from a different approach."

Swissôtel learned a costly lesson in its Chicago property when executives attempted to clone the company's celebrated New York and Boston restaurants. Locals rejected La Prince's high-cost menu and luxury concept, and the company closed it soon afterward, recently converting the room to a more casual American concept called Land of Plenty.

The "single" Atlanta restaurant will be divided, effectively, into three dining areas, which will share a common entrance, allowing Swissôtel patrons to make a concept decision almost as they approach.

"If you check in at 9 p.m. and want a club sandwich, we'll have it for you," Pitton said.

Luxury war in Buckhead

Ritz-Carlton Buckhead
Opened: 1984
Restaurant: The Dining Room
Check Average: $75

J.W. Marriott
Opened: 1988
Restaurant: Swann Room
Check Average: $33

Hotel Nikko
Opened: 1990
Restaurant: Cassis
Check Average: $35

Swissôtel
Opened: 1991
Restaurant: not yet named
Check Average: $30

Joseph Violi, F&B director, with Edward Staros, regional VP and general manager, both of the Ritz-Carlton Buckhead.

CORRECTION

"NRN Top 100," Aug. 6, contained errors on two chains.

NRN erroneously projected $410 million in systemwide sales, 1,020 units and $400,000 in sales per unit at Sonic Drive-In for fiscal 1990 ending in August.

In fact, NRN should have projected $448.5 million in systemwide sales, 1,050 units and $440,000 in sales per unit.

In another instance the sales-per-unit figures for Round Table Pizza were underreported as $311,000 in the fiscal year ending June 1991, $296,000 for fiscal 1990, and $267,000 for 1989.

The figures should have been reported as $555,000 in 1991, $546,000 in 1990 and $508,000 in 1989.

Had the correct figures been used in NRN's calculations, both chains would have scored significantly higher on several rankings.

FINANCIAL NEWS

Wendy's profits surge 60%, yet sales remain stagnant

by Peter O. Keegan

DUBLIN, Ohio — Citing its best quarterly earnings report in four years, Wendy's International Inc. has surprised its naysayers by posting a 60-percent increase in net income on a 2-percent systemwide sales improvement for the second quarter.

The $15.4 million profit for the quarter is a marked improvement over the $9.6 million profit logged during the same period last year and the $3.5 million in net income reported for the first quarter of 1990.

Denny Lynch, Wendy's communications vice president, said a number of things have helped increase the chain's bottom line. He cited management stability at the unit level, increased value perception from the SuperValu menu, reduced couponing, and increased training and retention programs as springboards for the profit surge.

"We have focused on training and management," said Lynch, adding that Wendy's is slashing turnover by allowing flexible hours, giving employees more input through crew councils and allowing more casual uniforms.

"We have also instituted bonus incentives for management, which are tied to operating performance at the unit level," Lynch indicated.

Wendy's high profit levels boosted earnings to 16 cents per share, bringing the year's total earnings per share to 20 cents. "Sixteen cents is ahead of expectations by 2 to 4 cents," said Smith Barney analyst Joe Doyle, who recommends a hold on the stock. "Thirty-five cents looks attainable, and they may even have a shot at 40 cents."

Six weeks ago, when Wendy's stock was surging, many analysts doubted Shearson Lehman Hutton analyst Caroline Levy's projection that Wendy's could obtain her 35-cent-per-share estimate. The stock, which reached a peak of $7.50 in June, recently sold at $5.63.

> "As McDonald's, Burger King, Wendy's and Hardee's battle for customers, some quarters one will win, some quarters another."

"I was estimating 11 cents," admitted Mike Mueller, an analyst with Montgomery Securities in San Francisco. "I was surprised by strength of the margins and costs of sales."

Mueller thinks that the SuperValue menu, which he says is being chosen by 20 percent to 25 percent of Wendy's customers, is also helping profits.

Revenues for the quarter were down 6 percent, to $262.6 million, but Wendy's operated 41 fewer company stores during the quarter. Royalty fees were up 9 percent, to $22 million, for the period.

Restaurant operating margins, which the company said vastly improved profits, were up 14.8 percent from 10.2 percent in the second quarter of last year and 9.8 percent in the first three months of 1990.

Wendy's reports that company store operating costs were reduced in the second quarter by $10 million, to $65 million, and total costs of sales were reduced by $16 million, to $138.1 million. The company claims its increased profitability comes from continued reduction in couponing, which Lynch said is down from about 1 percent from last year's figure, to 1 percent to 2 percent of sales.

"They still have a top-line problem," said Mueller, who continues to believe that Wendy's stock should be sold. "You can only go so far with cost improvements," he said, adding that strong sales and revenue must accompany operational improvements for long-term earnings growth.

Systemwide sales were up 2 percent, to $803 million, for the quarter, and 1 percent, to $1.5 billion, for the year.

Doyle opined that weak sales might be compounded by recession and Wendy's might obtain better sales results when the economy improves.

Average domestic net sales for company-owned units were up 2 percent, to $216,000, for the quarter, while net sales for franchised units were up 3 percent, to $210,000, when compared with the same year-ago period.

"The company has always led the franchising community," Lynch pointed out. "Now they are catching up." He attributed the company's "franchise recycling program" as one reason behind the increase in net sales for franchisees. Under the plan Wendy's buys back ailing franchises, turns them around and sells them to new franchisees.

Mueller noted that Wendy's has done a good job in controlling costs, but doesn't think margin improvements will continue into the next two quarters. "As McDonald's, Burger King, Wendy's and Hardee's battle for customers, some quarters one will win, some quarters another."

Many analysts agree that with the state of competition in the burger segment, chains are shoring up operations to offset flat sales' effect on profits.

FOOD PRICE OUTLOOK

Rising oil prices will hike food costs

by Patt Patterson

There's no doubt that the $9-or-more-a-barrel hike in crude oil prices will push food prices up.

A good deal of the cost of food is transportation, and today most of that transportation is by diesel truck.

And processed foods, both canned and frozen, are dependent upon energy, both electric and gas — much of which oil generates.

With oil companies jacking prices to take advantage of the chance to make some extra profit, even firms with fuel supply contracts are probably not immune to the hikes.

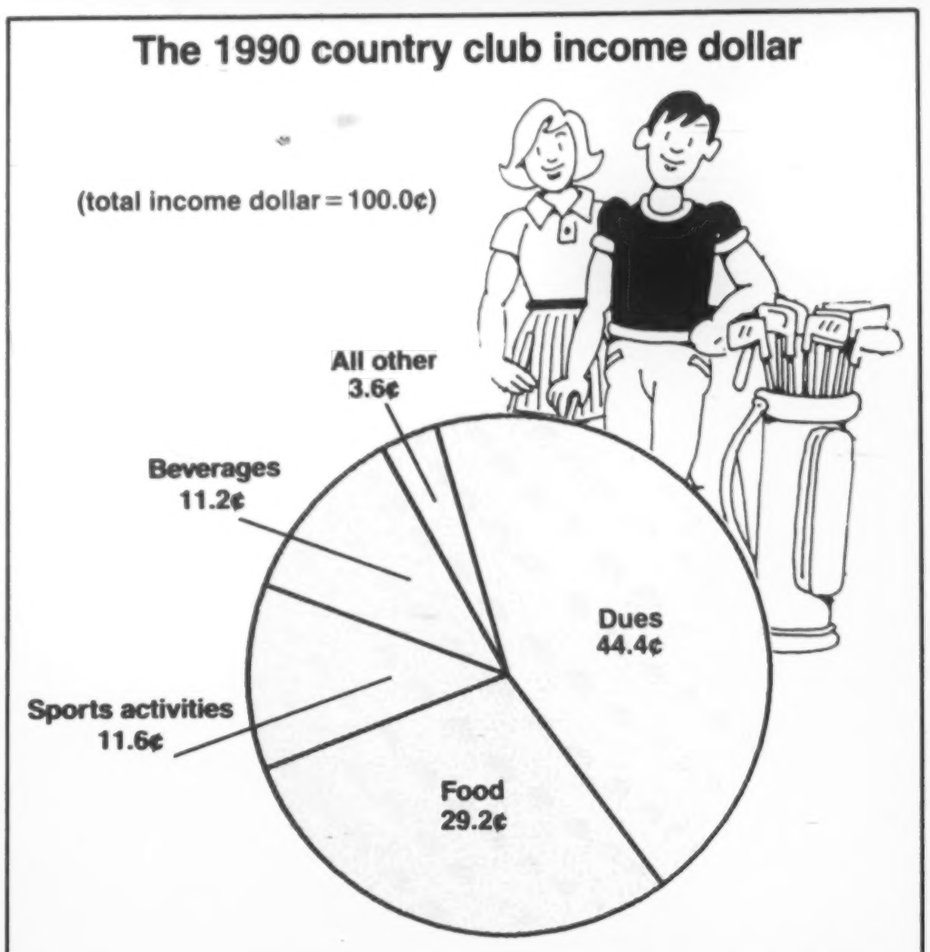
Last time we went through this, the oil companies learned to write contracts with escalator clauses to permit boosts when and if oil prices rise.

It hits all levels of the food chain. Fuel is used to get the food from the fields to the packer. From the packer to the distributor it travels by truck. And from the distributor or chain distribution center it travels to the foodservice operator by truck. All are expected to pass on the increases.

Hogs are coming to the slaughter houses in greater numbers, but pork prices were still running ahead of last year's at this time. As harvesting starts in earnest, slaughtering is expected to taper off, since farmers will be too busy to deliver hogs to market.

Expect **vegetable oil** to increase in price. Heavy demand from fast-food chains changing over to all-vegetable oil shortenings for health reasons will put heavy strains on available supplies. Animal fat prices are expected to fall off even more than they have already.

FACT FILE



FINANCIAL DIGEST

TW uses real estate to reduce debt

SPARTANBURG, S.C. — Seeking to raise cash and pare down debt, TW Holdings Inc. is using its abundant restaurant real-estate holdings as an investment vehicle.

In the most complex move, Morgan Stanley & Co. and a group of other investors have teamed up to invest in a $160 million real- estate note to refinance the mortgages of 240 Denny's restaurants that TW Services operates.

The note will pay interest at 11.03 percent with a term of 10 years.

When the financing is complete, the net proceeds will yield about $120 million after repayment of existing mortgages and related expenses.

In an unrelated step, TW Holdings has signed a letter of agreement with Financial Security Assurance, providing for a guarantee of $255 million in financing secured by 398 company-owned-and-operated Hardee's and Quincy's units.

At the same time TW Holdings disclosed negotiations with several parties for sale-leaseback transactions involving Denny's outlets and warehouses in the Canteen contract-feeding division.

Proceeds from all of the transactions will be used for the reduction of debt, particularly the retirement of a bridge loan, which is worth approximately $400 million, scheduled to be paid in full by Dec. 1.

TW Holdings bought TW Services for $1.7 billion last June.

Cooker fattens restaurant margins

COLUMBUS, Ohio — Cooker Restaurant Corp., operator of 10 full-service restaurants, said improved operating margins led to a 52-percent year-to-year gain in net income, to $520,000, for the second quarter ended July 1. Revenue rose 11 percent from the year-ago period, to $8.1 million.

Noting that restaurant operating margins widened to 19 percent of sales in the latest quarter from 16 percent a year earlier, chairman G. Arthur Seelbinder said, "We have focused our attention on the improvement of profitability in our existing restaurants and will continue to open restaurants that meet our profitability standards."

The chain's 11th unit is under construction in Columbus and due to open in the company's third quarter.

For the latest six months, Cooker earned $933,000, a 42-percent advance, on $16.3 million, a 19-percent increase.

Ryan's 2nd-Q net jumps 20%

GREER, S.C. — Ryan's Family Steak Houses said expansion, improved operating margins and better food cost controls combined to help it post a 20-percent jump in second-quarter net income, to $6.7 million, on a 15-percent gain in revenue, to $71.5 million.

For the six months and quarter ended July 4, sales rose 18 percent, to $136.4 million, while net earnings increased 23 percent, to $12.7 million.

Fred T. Grant Jr., vice president of finance, said in comparisons with the end of the second quarter of last year that Ryan's has opened 14 new restaurants.

The company operates 126 units and franchises 33 stores.

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THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 34 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | August 27, 1990

Sonny's tangled in legal web

Battle rages between owner, licensees, founder

by Jack Hayes

GAINESVILLE, Fla. — Franchisees and current and former owners of 80-unit Sonny's Real Pit Bar-B-Q are pinned in a three-sided legal crossfire that is threatening the future of the nation's largest barbecue chain.

The escalating dispute — which is being fought in state and federal courts here and in Tallahassee, Fla. — is centered around a tangle of allegations and counter claims going back to December 1988, when Floyd "Sonny" Tillman sold the 22-year-old chain to Robert B. Malkani and his company, M Group International, for more than $5 million.

A franchisee group is suing M Group, charging that the chain's new owner has mishandled advertising fees and has cut back field support services such as training. The franchisees are seeking more than $7 million in damages.

M Group is suing Tillman, claiming that at the time of the sale the chain's former owner did not disclose several handshake agreements he had made granting certain franchisees exclusive territories and area expansion rights.

The company wants the court to rescind the sale plus award a $1 million damage penalty, claiming it can't operate profitably while honoring the "side" agreements that it says franchisees are demanding be kept.

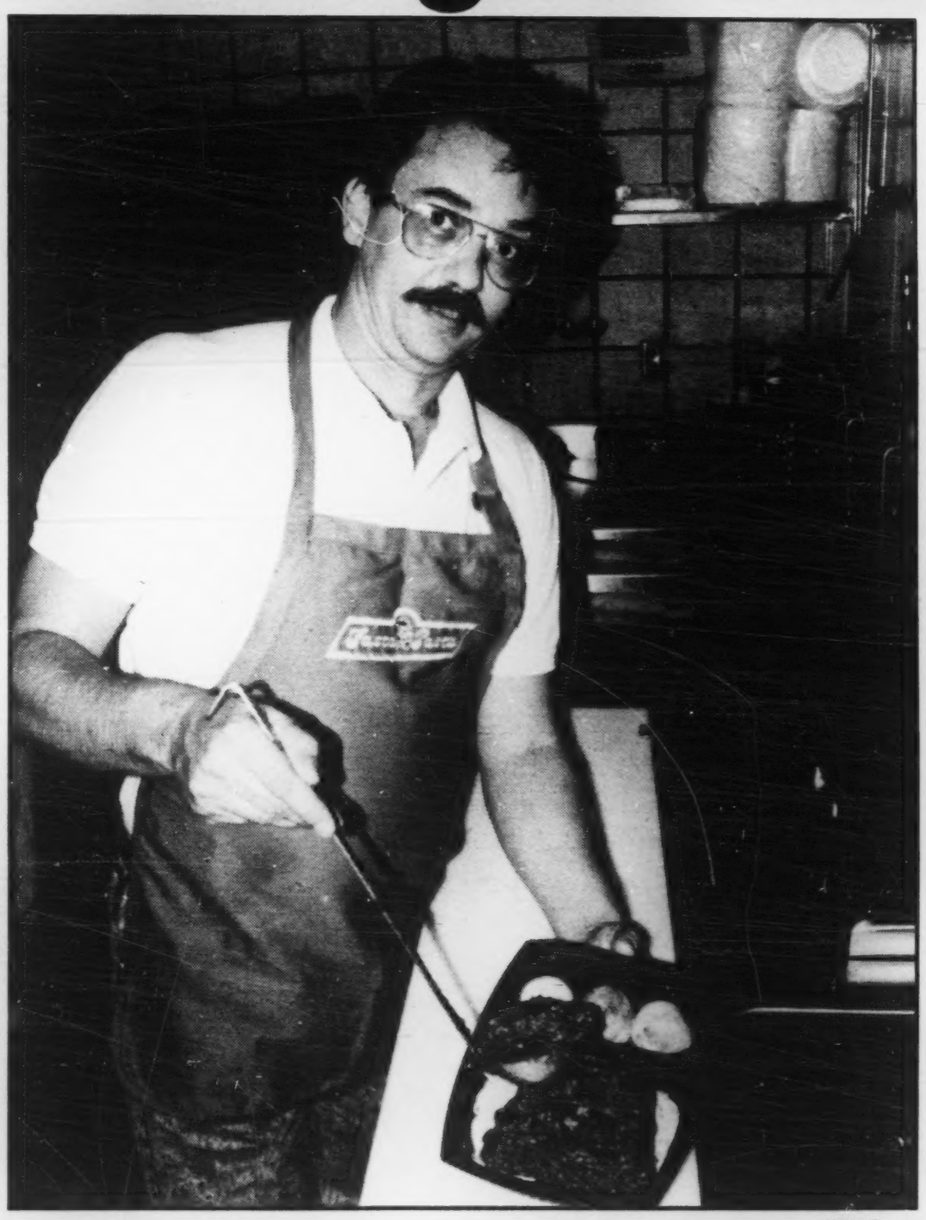
M Group is also countersuing franchisees, charging breech of contract.

Tillman, meanwhile, is countersuing M Group. He is also alleging that Malkani has stopped making payments according to certain terms of the sale agreement.

With all three sides involved as plaintiffs and defendants in the various suits and countersuits, not only is franchisee morale and business suffering, but volume is reportedly down sharply at Sonny's five company-owned

(See SONNY'S, page 125)

Pasta gets into the fast lane



NRN Photo

John Bogino, founder and president of Fasta Pasta Inc., Atlanta, tops off a dish with some sauce in the kitchen.

New convenience niche sprouts as popularity of Italian favorite soars

by Peter O. Keegan

As Americans' love of pasta reaches maturity, a new convenience niche is taking shape with savvy operators offering quick-service, take-out, drive-through and delivery.

Serving up everything from spaghetti to gourmet gnocchi, casual pasta places around the nation are mapping new ground between twirling the fork at a sit-down restaurant and boiling the water at home.

And not to be left in the dark on a hot concept that has high profit potential, even fast-food mainstays such as McDonald's and Wendy's are experimenting with quick-service pasta.

"Pasta is the blue jeans of food," observed Piero Selvaggio, owner of Primi in Los Angeles. "You can wear it on a daily basis and never get tired of it."

Atlanta's John Bogino, who owns the Provino's chain of Italian restaurants, has put pasta into the fast lane with a new concept called Fasta Pasta.

"It's another choice besides hamburger and chicken," said Bogino. "And you can feed

(See PASTA, page 125)

Pasta places gear toward convenience

Source: NRN Research

KFC shifts to high gear with home delivery plan

by Peter O. Keegan

LOUISVILLE, Ky. — Determined to arise as a new giant in the burgeoning home-delivery market, Kentucky Fried Chicken is planning to add the service at all 5,000 of its domestic units beginning in January.

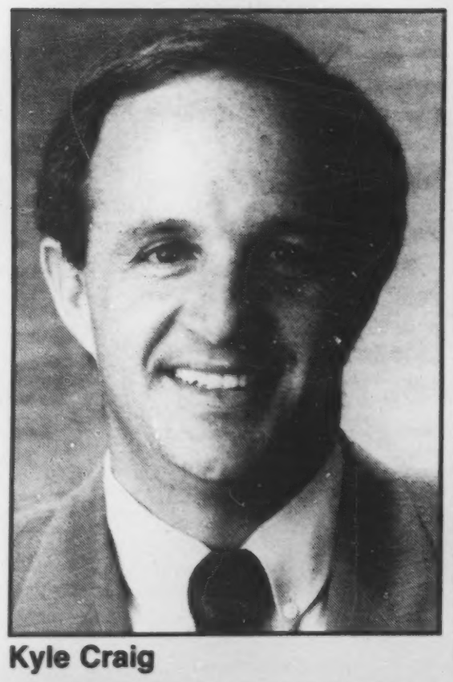
The move would make KFC the nation's second-largest home delivery specialist, behind 5,400-unit Domino's Pizza, and marks the first time a fast-food powerhouse outside of the pizza market has committed to the concept. Popeyes aborted its 18-month home delivery test in 1987.

"Home delivery is a phenomenon that is here to stay," stated KFC USA president Kyle Craig, who recently hired former Domino's Pizza executive Dan Smith to spearhead the rollout. "It's a dinner-driven phenomenon, and we're a dinner-driven concept."

Craig said that KFC must successfully launch home delivery to prevent a loss of customers to the growing flock of delivery-based concepts. Last year, the number of customers who dined in fast-food restaurants declined 1.4 percent, but the number of meals sold for off-premises consumption rose by 2.9 percent, according to GDR Crest, a Chicago research house.

"As home delivery contin-

(See KFC, page 124)



Kyle Craig

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Subscription rate: Food-service operators and wholesalers/distributors, one year $34.50; 2 years $55.00; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 34 August 27, 1990

NEWS BRIEFS

U.S. chains await word from Kuwaiti operations

KUWAIT — Several U.S.-based restaurant chains are anxiously awaiting word about the status of executives and units that were swept into the Mideastern crisis when Iraq occupied this oil-rich nation, severing communications to the outside world.

An A & W Restaurants executive and his family have been identified as being among the Americans who were rounded up by Iraqi authorities in Kuwait and moved to undisclosed locations. Kevin Bazner, vice president of the Southfield, Mich.-based fast-food chain, was en route with his wife and two children to Malaysia when Iraq invaded its southern neighbor, halting all departures by non-citizens.

The government of Saddam Hussein has said foreigners would be placed in key strategic positions within Iraq as a deterrent against attack by the United States and its allies.

Several major chains are awaiting information about the state of their stores in Kuwait.

Hardee's said its 12 Kuwaiti units had been shuttered by the crisis but added that it was unable to receive any word from the region. The outlets are operated by a franchisee, Kuwait Food Co.

KFC has 17 units in the occupied nation. Their status has yet to be clarified.

Mr. B's Brennans plan second place

NEW ORLEANS — Ralph and Cindy Brennan, the brother and sister who operate the acclaimed Mr. B's Bistro in the French Quarter here, have disclosed plans to open a second restaurant next spring.

The 180-seat place will be located three blocks away in the De La Poste Motor Hotel. Mr. B's executive chef, Gerard Maras, will supervise menu development for the yet-unnamed restaurant, which will feature lower prices and a more casual look than that of Mr. B's, according to the Brennans.

Meanwhile, another restaurant under development here by the Brennan clan has assumed the name Palace Cafe, a change from the originally conceived Cousins City Cafe.

Combining a casual European bistro theme with moderate price points, that concept will be operated by Dickie Brennan Jr., Ti Adelaide Martin and Brad Bridgman.

Brennan's father, Martin's mother and Bridgman's mother — respectively, Dick, Ella and Dottie Brennan — operate the famous Commander's Palace restaurant here in partnership with Ralph and Cindy's father, John Brennan.

NY restaurant sues Con Ed over blackout

NEW YORK — Harbour Lights, a popular bar and grill in the South Street Seaport here, has filed a lawsuit seeking compensation from Consolidated Edison Co. for damages allegedly suffered during a widespread blackout in lower Manhattan.

Harbour Lights claims that it lost thousands of dollars in business and spoiled products when a Con Ed substation fire caused a power failure that shut down the city's downtown financial district. The restaurant alleges that Con Ed was guilty of negligence in failing to have a backup system.

'Wilt the Stilt' lends name to new concept

BOCA RATON, Fla. — Basketball legend Wilt Chamberlain has signed with a new team and manager to launch a chain of sports-bar-and-grill establishments called Wilt Chamberlain's Places.

Unique Restaurant Concepts, headed by California operator Dennis Max, will develop and operate the outlets. The first is slated to open here in January.

"We're doing the Houston's and Applebee's thing: casual menu combined with simulators and video games in a contemporary neighborhood mood," said Max, whose other concepts include Cafe Max, Brasserie Max and Maxaluna.

Chamberlain, 50, was known as "Wilt the Stilt" during his outstanding professional basketball career. He now lives in Los Angeles.

LA panel backs smoke ban, sets council vote

LOS ANGELES — Ignoring the protests of restaurateurs, the City Council's Environmental Affairs Committee has approved a controversial ban on smoking in foodservice establishments, clearing the measure for an expected vote by the full council in mid-September.

If passed, the total prohibition would affect all public restaurants, bars and nightclubs and would give Los Angeles the strictest anti-smoking regulations of all major cities. Restaurants here with more than 50 seats are currently required to set aside half of them for non-smokers.

Councilman Marvin Braude, author of the proposed ban, said it was prompted by the Environmental Protection Agency's recent classification of secondhand smoke as a "Class-A," or worst-level, carcinogen. Since the Braude measure was introduced in May, no-smoking laws have been enforced in other cities, including San Luis Obispo, Calif., which this month enacted an outright ban on smoking in all public places and workplaces.

Reacting to the wave of varying municipal ordinances and the employers' liability implications of the EPA findings, the California Restaurant Association last month endorsed a statewide ban on smoking in all public places. However, critics of the CRA's proposal called it a farfetched tactic to delay and undermine local control, particularly in Los Angeles.

Jack In The Box fined $125,000 in child labor case

SAN FRANCISCO — U.S. Labor Department officials here have levied a $125,000 fine for child-labor-law violations against the Jack In The Box fast-food chain, owned by Foodmaker Inc. of San Diego.

The fine stemmed from a Labor Department investigation that found 330 youngsters illegally employed at 61 company-owned Jack in the Box units in California and Hawaii.

The officials said most of the violations involved 14- and 15-year-olds who were used in prohibited positions, including the post of grill cook, or who were permitted to work too many hours or after 7 p.m. during the school year. The chain was also cited for employing seven 13-year-olds, they said.

"Foodmaker was extremely cooperative with our investigation, even to the extent that management conducted a self-audit and notified our compliance officers of violations," said Frank A. Conte, head of the department's wage and hour division for the San Francisco district.

Foodmaker no longer hires 14- and 15-year-olds and has tried to better educate unit managers about child labor laws, said a spokesman for the chain.

Novak exits Pizza Hut for Pepsi-Cola

SOMERS, N.Y. — David Novak, who spearheaded Pizza Hut's marketing program since 1986, has left the 6,800-unit chain to become executive vice president of marketing for a sister operation, Pepsi-Cola Co.

His replacement as senior vice president of marketing for Pizza Hut was not immediately named.

Novak, 37, will oversee Pepsi's national marketing and promotional efforts, new product development, and research and technical services. He succeeds Michael Simpson, who has been assigned to handle customer services worldwide for Pepsico, the parent company of Pizza Hut and Pepsi.

Novak had been instrumental in developing several of Pizza Hut's most effective marketing campaigns, including "Pizza Pairs," a two-pies-for-one-price offer.

More recently, he directed Pizza Hut's exclusive sponsorship of the concert tour of the Teenage Mutant Ninja Turtles.

He joined the Wichita, Kan.-based pizza chain from the Tracey Locke/BBDO advertising agency.

FINANCIAL NEWS

National Pizza's sales volume per unit jumps 17% in 1st Q

by Milford Prewitt

PITTSBURG, Kan. — In a soft business cycle when many operators are happy to eke out same-store sales growth of 3 percent, 4 percent and 5 percent, National Pizza has finished its first quarter with one of the highest same-store sales improvements of any restaurant company this year.

For the period ended June 26, the 357-unit Pizza Hut operator — the Pepsico chain's largest franchisee — reported a 17-percent increase in same-store sales.

Although the company raised menu prices about 2 percent during the quarter — for a real same-store sales growth of 15 percent — company executives said what counted more in the impressive restaurant sales picture was the continued success Pizza Hut is experiencing in delivery and the chain's aggressive marketing of its Pairs campaign (two pies for the price of one).

The 17-percent improvement in same-store sales growth was one of the reasons that the company's sales climbed 74 percent during the quarter to $68.5 million, with a gain in net income of $4.2 million, a 17-percent increase over the year-ago quarter.

The net income and company sales figures which National reported included results from Skipper's, the Bellevue, Wash., quick-serve seafood chain that the Pizza Hut franchisee acquired late last year. National did not break out any of Skipper's numbers separately except to note that the subsidiary's same-store sales rose only 2 percent.

National Pizza's same-store sales picture was brighter, in fact, than Pepsico's operations from Pizza Hut. For its second quarter, ended June 16, Pizza Hut reported same-store sales gains of 10 percent, which equaled McDonald's second quarter comparable restaurant sales gain.

> "Although we anticipate even higher cheese prices, combined with increases in insurance and advertising expenditures in future periods, we are confident we can continue to grow our earnings at a 20-plus percent compound rate."

National Pizza's gain in net income and unit sales came despite higher costs for cheese, labor and advertising. Even though the company is forecasting even higher operating costs during the balance of the year, it expects to still enjoy earnings improvements in excess of 20 percent.

"We believe this extraordinary [per-unit] sales growth is among the highest experienced by any operator in the quick-service segment of the restaurant industry," said Gene Bicknell, chief executive officer in a statement.

"Although we anticipate even higher cheese prices, combined with increases in insurance and advertising expenditures, in future periods, we are confident we can continue to grow our earnings at a 20-plus percent compound rate."

Some observers of the chain agree with Bicknell's assessment.

Caroline Levy, who tracks the company for Shearson Lehman Brothers, placed the company's stock on the brokerage house's selected growth list based on its consistently improving earnings, its kinship with Pizza Hut and its "excellent marketing strategies."

But Levy noted that National Pizza may be profiting even more from its perspicacity to develop a strong delivery capability more than a year and a half ago.

"National Pizza developed a number of markets with delivery about a year to 18 months ago," Levy said, "and now they're reaping the benefits from the the maturation of those markets."

Moreover, Levy noted that most of the company's 357 units are based in the Midwest, and that National's operations have escaped the soft sales trends that characterize units on the coasts.

Company executives said they are excited about Pizza Hut's continued emphasis on being the pizza chain "for all pizza occasions." As such, National, like the chain, is looking for alternative locations, particularly schools.

Already, about 1,500 schools are talking to Pizza Hut about setting up kiosks or other formats in the building.

FOOD PRICE OUTLOOK

Red meat prices send mixed signals

by Patt Patterson

Beef prices are running about five percent or so higher than last year at this time, based mainly upon increased demand and somewhat tighter supplies. Most observers are hesitant about forecasts because of the uncertainty about the effect of fuel price increases. Yet futures prices for early next year are dropping. Independent surveys place the number of cattle on feed lots up by about five percent this summer, meaning more supplies after the holidays.

Pork prices are highly variable, but at the top end range well above last year by as much as 10 percent. Hogs have significantly shorter gestation and maturation periods than cattle, and production can be turned around faster. But hog farmers are being cautious about expanding herd size. Pork prices are linked closer to feed prices than beef.

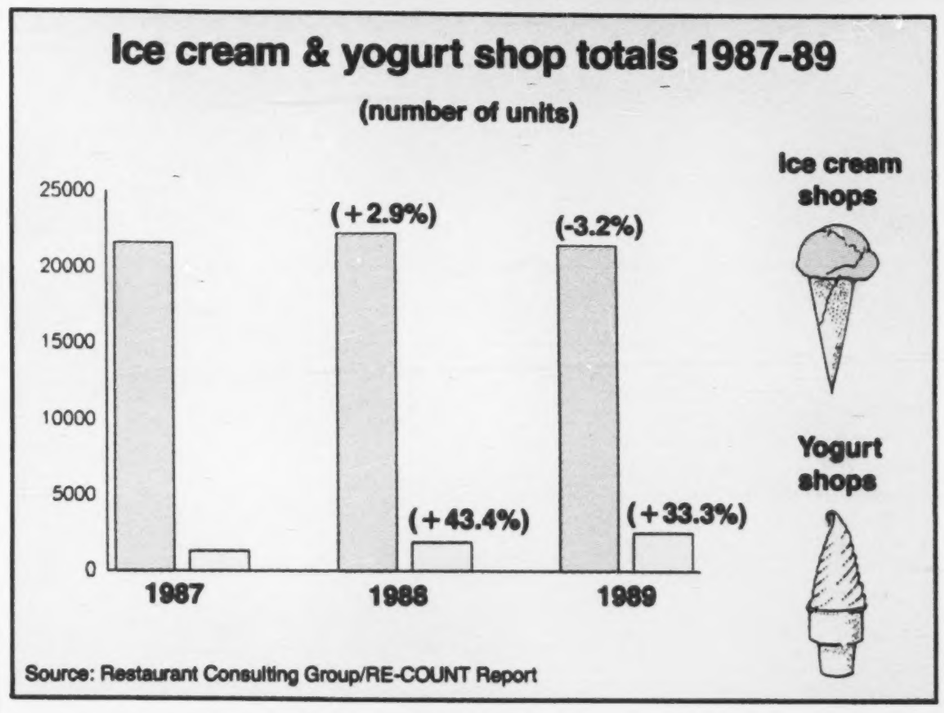
Although most feeds are running well below last year in price, the raw grains have moved up, despite forecasts of strong **corn** and **soybean** harvests. End of year futures prices for corn, soybeans, **sorghum** and **wheat** are all up. If feed costs rise, so will beef and hog prices. All in all, mixed signals.

Lobster tail pricing moving upward on both cold and warm water species, however, supplies are available. The spread between, say Australian cold water and Brazilian warm water tail has been staying about the same.

In general, fresh vegetable prices have dropped to seasonal levels this year, with some exceptions. **Lettuce** prices, particularly from California have picked up after a short slump in July. Colorado and local prices tend to be lower. **Broccoli** prices are up from their early summer slump, **cauliflower** prices remain low.

Midwest **carrots** and **cucumbers** are coming into the market and driving prices lower. California's Kern district carrot crop is winding down, but prices are at seasonal lows.

FACT FILE



FINANCIAL DIGEST

Uno Restaurant's net up 26% in 3rd Q

BOSTON — Citing profit contributions from newer Pizzeria Uno restaurants, Uno Restaurant Corp. said net income rose 26 percent to $1 million on a 36 percent hike in revenues to $14.2 million for the third quarter ended July 1.

Aaron Spencer, chairman and chief executive officer, stated that fattening profits from eight restaurants that opened in the past four quarters was a decisive factor in the company's profitability.

"Eight company units that opened in the past four quarters are achieving average weekly sales 12 percent greater than older more mature units," said Uno Corp. chairman and chief executive Aaron Spencer. "We expect these units to have an even greater impact on earnings in succeeding quarters due to continual gains in operating efficiencies that are typical of newer units and the elimination of pre-opening costs after their first year."

For the nine months leading to the end of the third quarter, Uno's net income rose 26 percent — equal to the 3-month performance — to $2.6 million on revenues of $38.9 million, a 33 percent increase. At the end of the quarter, the company operated 29 of 75 full-service casual style restaurants known for its deep-dish, Chicago-style pizza.

Perkins 2nd Q net increases 22 percent

MEMPHIS, Tenn. — Same store sales improvement helped Perkins Family Restaurants chalk up a 22 percent gain in net income to $3.8 million on a 5 percent increase in revenue to $44.4 million for the period ended June 30.

During the six month period, revenues climbed 6 percent to $85.9 million with net income jumping 22 percent to $6.3 million.

Same store sales were up 3.9 percent for the quarter and 4.8 percent for the first six months.

"We're extremely pleased with our continuing sales and profit growth," chief executive Donald N. Smith said. "Comparable same store sales growth of almost 4 percent over a strong 1989 second quarter growth rate of 8 percent proves once again that our strategic direction and management focus are on target."

Perkins operates 115 of 386 restaurants in the chain.

Sea Galley losses narrow in 2nd quarter

MOUNTAINLAKE TERRACE, Wash. — Sea Galley narrowed its loses in the second quarter ended June 17 to $364,000 from $1.7 million a year ago.

The company, which operated 42 restaurants a year ago but ran 20 at the end of the current quarter, reported revenue of $7.9 million in contrast to $13.9 million in 1989. Revenues reflect a softening in same store sales averages from about $3.2 million per unit a year ago to $2.5 million for the current quarter.

"We are continuing to challenge every expense that does not directly benefit the Sea Galley customer," said Kim A. Krieg, president and chief executive officer. "We are analyzing the financial returns provided by all assets of the company with the goal of selling underperforming assets and to re-deploy the proceeds to achieve better financial results."

Chart House secures $15 million loan

SOLANA BEACH, Calif. — Chart House Enterprises, owner and operator of 68 dinner houses and 15 Paradise Bakeries, has secured a $15 million loan from Metropolitan Life Insurance Co.

The loan will be paid off in senior secured notes, due in the year 2000. Chief financial officer Harold E. Gaubert, Jr., said that the loan would be used to increase restaurant development and expansion as well as pay down other loans.

In other news, Chart House announced the opening of three new Chart House restaurants in Greenwich, Conn.; Alexandria, Va.; and Cohasset, Mass.

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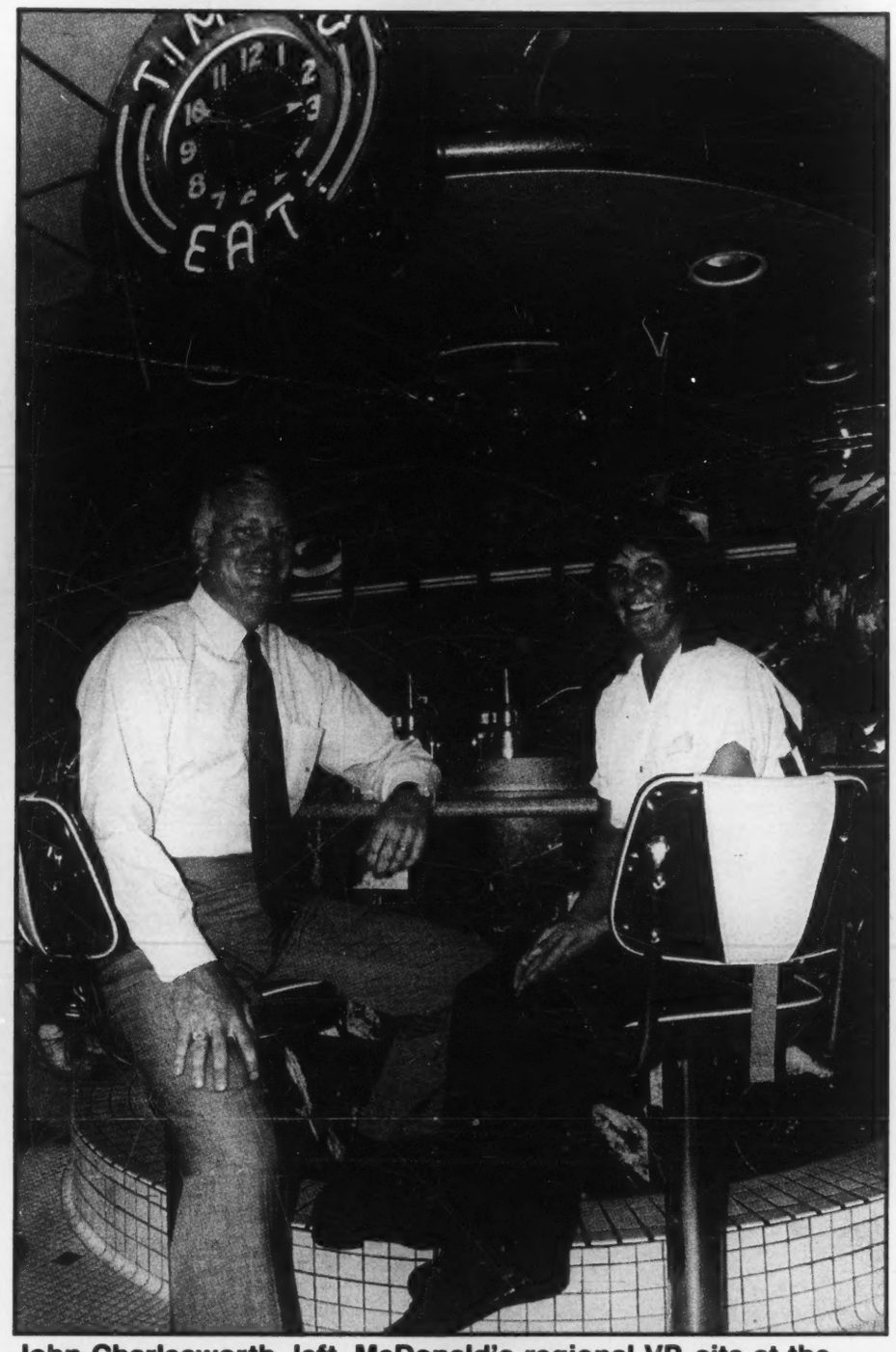
Vol. 24, No. 35 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | September 3, 1990

McD unveils 'McDiner' concept



John Charlesworth, left, McDonald's regional VP, sits at the Golden Arch Cafe's dairy dessert bar with server Kathy Lee.

Golden Arch Cafe targets rural America with country cooking in '50s-style diner

by Jack Hayes

HARTSVILLE, Tenn. — Hungry to feed the 40 million Americans who live in towns that are too small to swallow a Big Mac-sized restaurant, McDonald's has begun testing the Golden Arch Cafe — a downscaled "McDiner" concept — in this north Tennessee farm community of 3,500.

Serving mashed potatoes, Salisbury steaks, green beans and banana splits in a late 1950s diner ambience, the 1,900-square-foot McDonald's "experiment" houses just 55 seats and a mere 30 employees.

The Golden Arch Cafe operates on a hybrid short-order system whereby the counter staff doubles as a serving staff, delivering plates and pouring coffee refills after customers pay for food and take their seats.

In fact, the symbolic "arch," which is a key part of the concept's signage as well as its name, is the only noticeable link between mainstream McDonald's and the brand-new Golden Arch Cafe.

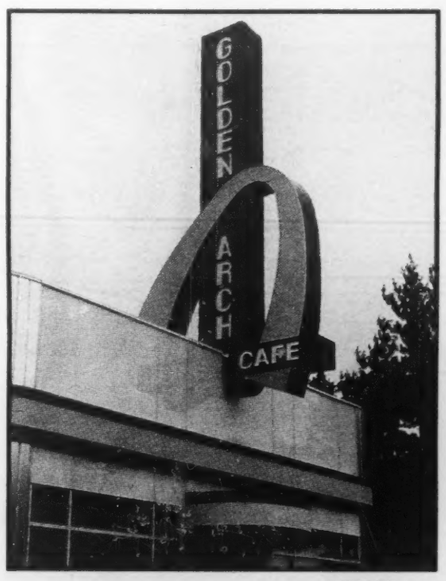
"What we're looking for is an economically feasible package that will fit the small-town eat-out business," said McDonald's regional vice president John Charlesworth, whose Nashville, Tenn., office is in charge of the test unit.

McDonald's is exploring a niche that includes about 1,500 small American towns with populations between 2,500 and 4,000 people, according to 1988 U.S. Census Bureau figures.

Taking advantage of much cheaper prices for rural sites, smaller staffs and buildings, and less expensive kitchens, the Golden Arch Cafes presumably would be able to turn a profit at a much lower sales threshold than that of McDonald's traditional domestic unit, which grosses an average $1.6 million annually.

"Cost containment is a big part of the operation, but success is going to be measured in volume," said Charlesworth, stressing the challenge to meet more taste needs and to bump up same-customer frequency. "The broad menu and the new dairy dessert bar are designed for that," he explained.

Charlesworth would not reveal what it cost to open the first Golden Arch Cafe — or what McDonald's expects to spend on future units. Nor would he talk about projected customer counts, check averages and estimated volumes.



NRN Photos

The Golden Arch Cafe sports the familiar McDonald's arch.

"We don't have a timetable; we're just going to watch sales and customer acceptance," Charlesworth said. "This is a *test* test. We have a lot of operational smoothing out to do."

There are no Egg McMuffins, Chicken McNuggets or Big Macs on the Golden Arch Cafe menu. The burger selection — 100 percent USDA

(See MCD, page 7)

US sues Spillman in insurance case

by Milford Prewitt

DALLAS — The U.S. Labor Department is suing Francis J. Spillman, founder and former chairman of Pizza Inn, for siphoning money from the employee health insurance fund at J.T. McCord's restaurants for personal and corporate use.

In a civil suit filed by the agency's Pension and Welfare Benefits Administration, Spillman and his company, JTM Acquiring Corp., are further accused of collecting premium payments from employees long after the insurance company canceled the coverage.

The insurance company, BSC Life Insurance, and a former vice president were also named as defendants in the case.

Spillman did not return phone inquiries.

Current Pizza Inn officials are eager to note that Spillman severed his connection with the chain three years ago, when he sold it to Pantera's Corp. At the time Spillman retained ownership of McCord's, a seven-unit, casual-themed restaurant group he had started in 1978 as a subsidiary of Pizza Inn.

The Labor Department is demanding that the defendants pay all medical expenses of employees who participated in the plan that would have been covered had their health

(See SPILLMAN, page 48)

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Industry moved by moral fervor
Rick Telberg/Page 22

School lunch program faces new challenges
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IRAQ HOSTAGE

Twist of fate traps A&W exec in midst of Middle East crisis

by Richard Martin

An American restaurant executive and his family, held hostage by the Iraqi military since the invasion of Kuwait, have been propelled onto the world stage as front-line pawns in a battle of nerves between Iraq and the United States.

Kevin Bazner, the 36-year-old international operations vice president of A & W Restaurants Inc., his wife and two children became captives after their flight home from London to Malaysia touched down for refueling in Kuwait at the very onset of the invasion.

That ill-timed landing is only one of several ironies surrounding the seizure of Bazner, whose company had closed its two fast-food outlets in Kuwait in 1988 because of concerns about security there.

Although the oil-rich country has about 55 outlets of American restaurant and lodging chains — a far greater number per capita than in other Persian Gulf nations — Bazner was thought to be the only American restaurant official in Kuwait at the time of the invasion.

"I just didn't like the 'sniff' of things, what our people had

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 35 September 3, 1990

NEWS BRIEFS

Circle K to shutter 200 stores and reassign 1,600

PHOENIX, Ariz. — Circle K Corp., the nation's second-largest convenience store operator, will close 200 underperforming stores and reassign nearly 1,600 employees in one of its first moves to improve operations since filing in May for Chapter 11 bankruptcy protection.

The stores to be closed are primarily in the South and West and were chosen based on soft unit sales and poor unit profitability, a spokesman for the 4,500-unit chain said.

Circle K has been awaiting court approval to sell 375 stores in Hawaii and the Pacific Northwest in a deal that was finalized before its Chapter 11 filing but has since been delayed.

The company, which is more than $1.2 billion in debt, also is looking to terminate 400 leases at unprofitable sites.

Meanwhile, the company has named Karen J. Simon, a former director of marketing for DairyMart, Enfield, Conn., senior vice president of marketing.

LA smog officials drop plans to ban drive-thrus

LOS ANGELES — Regional air quality officials have scrapped plans to ban the construction of new drive-thrus in the four-county Los Angeles area and instead have proposed to cut carbon dioxide outputs through an as-yet-undefined program to reduce cars' idling times at the restaurants.

James Lents, executive officer of the South Coast Air Quality Management District, said the Environmental Protection Agency's proposal to mandate the use of oxygenated gasoline in the region will permit his agency to drop the drive-thru ban from a sweeping slate of measures aimed at meeting federal clear-air standards.

The smog-control agency, as part of its 1989 master plan, still intends to impose tighter emission standards on char-broiler restaurants in the 13,350-square-mile region, comprising Los Angeles, Orange and Riverside counties and the non-desert portion of San Bernardino County.

W.R. Grace sells Del Taco chain

NEW YORK — W.R. Grace & Co., a diversified conglomerate based here, has reached an agreement to divest its Del Taco Restaurants subsidiary, a 97-unit quick-service Mexican food chain, to Taco Tico Inc. of Wichita, Kan.

Before the sale, however, Grace will proceed with the acquisition of the remaining 1.5 million or 18 percent of publicly held shares of Del Taco it does not own, for $3.25 per share. Once Grace completes the acquisition of Del Taco's outstanding shares, the 115-unit Taco Tico will purchase the entire Del Taco operation.

Meanwhile, George Baker, the president of Taco Tico, has been named president and chief executive of Del Taco, replacing William Hyde. In accordance with an earlier agreement, Hyde had agreed to oversee Del Taco until the chain was divested.

Once the Del Taco transaction with Taco Tico is complete, the 13-unit American Cafe, a Maryland-based casual theme operation, will be W.R. Grace's lone restaurant holding.

Rax to sell 16 restaurants, write off assets

COLUMBUS, Ohio — Rax Restaurants Inc. said it is selling 16 underperforming units in Louisiana and Florida and is writing off more than $1 million in fixed assets to bolster cash flow.

Rax, operator and franchisor of the 490-unit quick-serve sandwich chain, said it expects to save about $900,000 in cash on an annualized basis by writing off $5 million for the total asset disposition.

The fixed asset write-off consisted mostly of items replaced during a store remodeling program completed a few years ago, the company stated.

Integra hires Westbrooke to manage 24 hotels

DALLAS — In a move to slash costs, struggling Integra — A Hotel & Restaurant Co. said it has hired Westbrooke Services Corp. to manage 24 of the 31 hotels that Integra owns or operates.

The cash-strapped company said that Westbrooke will provide management, accounting and consulting services at the properties and that Westbrooke's fees would rise with cash-flow improvements. Integra did not reveal the amount it expects to save through the arrangement.

Integra narrowed its losses marginally in its second quarter ended June 29 to $3.3 million, while revenues fell 8 percent, to $21.8 million. Through the first six months, the company lost $3.2 million, improving on the $4.6 million it lost during the same period last year, but revenues were off 7 percent, to $44 million.

BK unveils mini-burgers

MIAMI — Burger King has resurrected its miniature burgers in a slightly different form that eliminates some of the operational difficulties encountered with the original.

When the 1-ounce sandwiches were introduced several years ago as Burger Bundles, the burgers were cooked individually on Burger King's conveyor-style flame broiler. Franchisees complained that the patties were so small that they sometimes fell through the bars of the grill or were overcooked.

Now, two patties for the renamed Burger Buddies are cooked simultaneously, attached to one another to form a single pattie shaped like the numeral "8." The oddly configured burger is served on two buns that are also joined to resemble an 8. Customers are encouraged to "pull 'em apart."

An order of Burger Buddies consists of the two attached little sandwiches. It sells for roughly the same amount as a regular-sized hamburger or cheeseburger.

Marketing head Burcham flies Copeland's coop

NEW ORLEANS — Scott W. Burcham has stepped down as senior vice president of marketing for Al Copeland Enterprises, franchisor of the Popeyes and Church's chicken chains.

The split was "completely amicable" said a Copeland spokeswoman, who added that no successor has been named.

Burcham, who formerly held marketing posts at Bennigan's and Procter & Gamble, oversaw a $39 million marketing budget for the company's 2,000 restaurants.

Johnny Rockets inks British licensing deal

LONDON — Johnny Rockets, the nine-unit Los Angeles-based chain of 1940s-theme burger and malt shops, has forged an exclusive British licensing pact with City Centre Restaurants here.

The London company, whose 155 theme restaurants in Great Britain grossed $120 million last year, plans to open its first American-style Johnny Rockets unit on Fulham Road here in September.

Johnny Rockets' deal with City Centre calls for the development of at least two units a year over five years.

City Centre currently operates five varied theme concepts, including chains specializing in ribs, Mexican food and pizza.

Rouse prexy dies in plane crash

BOSTON — The president of Rouse Co., the large urban development corporation, was killed when a plane he was piloting crashed in the driveway of a home 5 miles from Logan International Airport.

Michael Spear, 49, was killed with his wife just moments after he notified air traffic controllers that an engine on his turboprop had caught fire. Two houses were destroyed in the ensuing crash.

The Rouse Co. is the nation's largest publicly held urban development corporation. The company's forte is the "festival marketplace," huge retail and restaurant shopping malls.

Some of the Rouse Co.'s better-known projects are Boston's Faneuil Hall, Baltimore's HarborPlace and New York's South Street Seaport.

FINANCIAL NEWS

KFC Japan IPO scores big on Tokyo Stock Exchange

by Richard Martin

TOKYO — Joint venturers Pepsico Inc. and Mitsubishi Corp. seems to have hatched a golden egg through the initial public offering of Kentucky Fried Chicken Japan, the country's first Western fast-food chain.

Pepsico said the value of a share in KFC-J rose nearly 32 percent during the first day of trading on the Tokyo Stock Exchange, selling initially for 8,470 yen — about $57 — and closing at $75. At $57 the stock fetched the maximum initial public offering price allowed by Japan's finance ministry.

Mitsubishi and Pepsico sold equal shares that added up to about 37 percent of KFC-J's equity. Each company retained a 30.5-percent interest in the 900-unit chain and allocated about 2 percent of the IPO shares to an employee stock ownership plan.

KFC's first outlet in Japan opened in 1970 under the management of Shin Ohkawara, KFC-J's current president and chief executive. About two-thirds of the Japanese chain is franchised, with annual systemwide sales of about $800 million.

Mitsubishi formed the joint venture with KFC in 1972. Pepsico, which also owns Pizza Hut and Taco Bell, acquired KFC in 1986.

The initial offering comprised 6 million shares — 2 million each from the joint venturers and 2 million in new shares sold by KFC-J. On the offering date, Aug. 21, Pepsico and Mitsubishi also sold an additional 225,000 shares each at a price a bit higher than $75 a share, a Pepsico spokesman said.

Such sales of extra shares are customary for IPOs in Japan, the company said.

Pepsico, which owned a 49-percent stake in KFC-J vs. Mitsubishi's 51-percent share, scored a pretax gain of $110 million from the transaction, including $86 million cash from its sale of 2.25 million shares and $24 million in non-cash equity gained from the sale of the 2 million new shares by KFC-J.

Pepsico said its $110 million gain, reduced to $50 million after taxes, will be offset by various unrelated charges totaling about $63 million, or $45 million after taxes. The charges include $19 million for the planned closure of "underperforming" Pizza Hut, Taco Bell and KFC units.

The company declined to specify the number of closed units but said the $19 million charge consisted of domestic closures costing $9 million for Pizza Hut, $4 million for Taco Bell and $4 million for KFC plus $2 million for discontinued international KFC operations.

Other charges include $18 million in accelerated contributions to the charitable Pepsico Foundation, $12 million for "potentially uncollectible" receivables from debt-laden retail customers of Pepsi's soft-drink and snack food divisions and $14 million for various pending lawsuits and claims.

Copeland Enterprises trims losses in second quarter

NEW ORLEANS — Al Copeland Enterprises Inc., franchisor of the Popeyes and Church's fried-chicken chains, said it had narrowed its second-quarter loss significantly.

The company posted a deficit of $4.7 million, down from the roughly $12 million loss for the same period last year.

Revenue for the quarter reached $118 million, a 14-percent increase from the figure for the same period last year.

A 3.5-percent jump in per-store sales volumes for company-owned units, a decrease in interest payments and the acquisition of 47 company-owned Church's from franchisees allowed a $2.1 million positive net cash flow for the quarter, the company said.

> The net losses are due in part to high interest payments.

Through the end of the quarter, the company also reduced its debt by $18.5 million through real-estate sales.

For the first two quarters of 1990, the company reported a loss of $13.9 million, compared with a $11.7 million loss during the year-ago period. The net losses are primarily due to interest payments incurred from the $425 million debt the company took on when chairman Al Copeland purchased the 1,400-unit Church's chain in March 1989.

Interest expenses for the second quarter were $12.1 million, compared with $16.9 million in the same period last year. Total interest payments for the first half of 1990 reached $25.1 million.

FOOD PRICE OUTLOOK

Mideast crisis affects wheat sales

by Patt Patterson

Wheat is a casualty of the Mideast situation, at least as far as farmers are concerned. Both Iraq and Kuwait were big wheat buyers. The big wheat shippers are frantically looking for other markets.

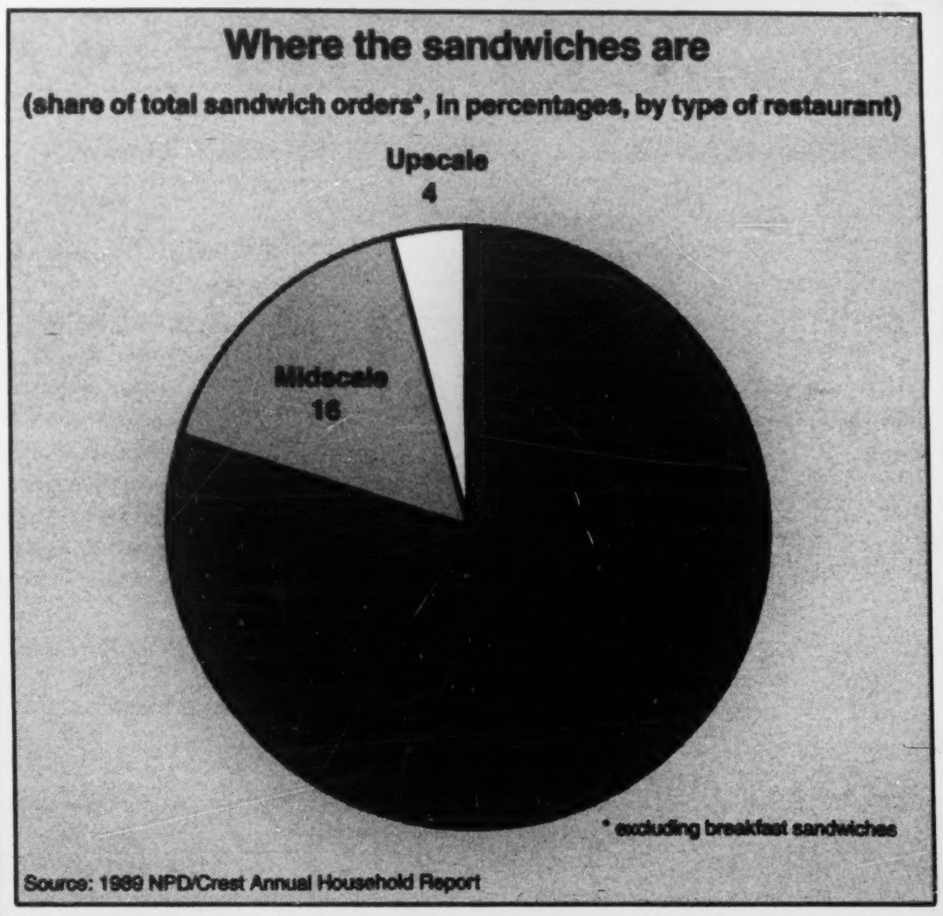
Meanwhile, wheat prices have fallen to a four-year low. If the military buildup in Saudi Arabia continues, it may siphon some of that wheat; it takes a lot of food for America's boys in uniform. But don't expect major reductions in flour and the price of baked products.

Both **soybeans** and **sorghum**, major animal feeds, are going to be tighter. Rains kept farmers from planting them, and in the case of soybeans, the plants have not grown as well as expected. Prices on soybeans and soybean meal are already moving up, with sorghum prices also increasing.

Coffee prices are unsettled. There's a big question about the amount that Brazil will release to world markets. U.S. roasters are sitting on large inventories, which some observers say are enough to get through at least half the heavy winter demand period, so they are in a wait-and-see posture. Don't expect any major change in prices, no matter which way the supply picture swings.

The Honduran **banana** strike continued, with no signs of any immediate settlement. Expect prices to stay elevated until some resolution is reached.

FACT FILE



FINANCIAL DIGEST

Industry posts real sales decline

WASHINGTON — Price-adjusted sales at the nation's eating and drinking places fell five-tenths of 1 percent in July in year-to-year comparisons, indicating the worst traffic performance by the industry this year, according to leading government yardsticks.

Unadjusted sales at the nation's eating and drinking places rose just 4.3 percent in July from the year-ago month, the slowest sales growth this year, according to the Department of Commerce's monthly retail sales report.

Just a month earlier sales at restaurants were percolating along at an unadjusted, annualized growth rate of 6.2 percent.

Meanwhile, July menu prices softened slightly, rising just 4.8 percent on a 12-month unadjusted basis, according to the Labor Department's Consumer Price Index.

Manor Care eyes two more hotel chains

SILVER SPRING, Md. — Manor Care Inc. is seeking to expand its already burgeoning fold of hotel concepts by agreeing to buy the Econo Lodge and Friendship Inn motel chains from New Image Realty for $60 million.

The deal would make Manor Care the nation's largest lodging franchisor, with approximately 2,300 under its supervision. Its stable already includes the Quality Inn, Comfort Inn, Rodeway Inn, Sleep Inn and Clarion Hotel chains.

Acquisition of the 600-unit Econo Lodge and 94-unit Friendship systems would be Manor Care's second motel purchase this summer. It recently acquired the 150-unit Rodeway Inn chain from Prime Motor Inn for $15 million. They also operate nursing homes and health-care facilities.

Consul posts 280% profit rise

MINNEAPOLIS — Consul Restaurant Corp., a 51-unit franchisee of Chi-Chi's Mexican dinner houses, said that fourth-quarter earnings rose 8 percent, to $515,000, on a 13-percent jump in revenues, to $23.5 million.

For the year ended May 31, net income soared to $247,000 from $65,000 in the previous year, while revenues increased 10 percent, to $88.3 million.

The company attributed the earnings improvement to tighter operating expenses and a strengthened staff. Comparable-unit revenues were up 3 percent for the year.

Four new Chi-Chi's dinner houses and three new Chi-Chi's el Pronto! quick-service units were added during the fiscal year.

Family Steak Houses earnings drop 20%

NEPTUNE BEACH, Fla. — Family Steak Houses of Florida Inc., a 26-unit Ryan's Family Steak House franchisee, said soft industry sales and losses from a joint venture with Rustic Inns in Orlando and Margate, Fla., slashed earnings 20 percent, to $176,000, during the second quarter.

Revenues for the period ended July 4 rose 7 percent, to $12.3 million.

Earnings from operations, which exclude the joint venture, interest expenses and real estate sale proceeds, increased 3 percent, to $1 million.

Through the first six months, the company's earnings fell 20 percent, to $571,100, while revenues rose 9 percent, to $25.2 million.

In other news, the board of directors elected a director, James W. Osborn, Family Steak Houses' 48-year-old president and chief executive.

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 36 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | September 10, 1990

AP/Wide World Photos

A female Air Force airman and other troops from the 1st Tactical Fighter Wing at Langley, Va., eat breakfast at a Saudi air base.

Gulf buildup thins ranks of GI patrons

by Milford Prewitt

Operation Desert Shield may be shielding Saudi Arabia from an Iraqi invasion, but it is not shielding some restaurants from steep sales declines as their military clientele ships out.

As the American show of force builds in the Persian Gulf, restaurateurs near military bases are finding another reason to condemn Iraq's invasion of Kuwait.

"Business is off about 20 percent," lamented Jim Eckman, area supervisor of Ocean Rand Investment Co., a seven-unit Arby's franchisee with restaurants near the sprawling naval complex in Norfolk, Va. "This weekend was a Navy payday, and we always look forward to that. But this is about the worst it has been in three years."

A Burger King unit manager near Columbus, Ga., which borders the Army infantry base of Fort Benning, said

*(See **DESERT**, page 4)*

Desert tests mettle of Army foodservice

by Rick Telberg

As American troops were massing in the Persian Gulf with some of the world's most technologically sophisticated weaponry, they were also mobilizing an advanced system of combat foodservice.

In recent years canned C-rations have given way to plastic-and-foil pouches, labor-intensive commissaries have been replaced by mobile two-man field kitchens and No. 10 tins of bulk ingredients have been made obsolete by food trays that need only to be reheated in hot water.

"They don't eat out of cans anymore," said Frank Johnson, public-affairs director at the Defense Personnel Support Center in Philadelphia. The agency is responsible for purchasing $3.5 billion a year in food, clothing and medical supplies, including $1.8 billion in fresh produce alone.

But despite the advances, no expert seriously suggested that combat soldiers would stop complaining about their food.

"As long as they're grumbling, I know they're happy," said David Dee, a retired colonel who spent 29 years in the Army quartermaster corps.

Clearly, food is a key element in maintaining morale, a front-line worry to command-

*(See **ARMY**, page 7)*

THE PERSIAN GULF CRISIS

- **Employers grapple with call-up of workers**
- **Domino's unit loses drivers to call-up**

See page 4

- **Tray chic: Desert Shield deploys new field kitchen**
- **Plastic-bagged 'MREs' replace canned C-rations**

See page 7

States target insurance costs

Seek to reduce health plan fees by approving 'no frills' policies

by Peter Romeo

HARTFORD, Conn. — In an attempt to bring the cost of employee health insurance within reach of more companies, a number of states are giving insurers the go-ahead to develop "no-frills" budget policies for restaurants and other small businesses.

Connecticut, Florida, Virginia and Washington have already legalized the scaled-down packages, and Illinois, Georgia, Rhode Island, Oregon and Arizona, among others, are eyeing similar moves.

Insurance carriers project that the legislative changes will permit them to provide small business with basic medical coverage at premiums falling as much as 35 percent below the rates for conventional policies. However, the low-cost packages may not reimburse employees for drug-abuse counseling, psychiatric treatment, maternal care, acupuncture or other types of treatment that underwriters were previously mandated to cover.

*(See **STATES**, page 65)*

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Warming up to cooked greens
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ShowBiz parent merges concepts
Marketing/Page 12

Rax continues comeback
Financial/Page 14

Wanted: Professional, caring service
Charles Bernstein/Page 27

NFL pulls plug on sports bars

Cracks down on 'pirated' telecasts

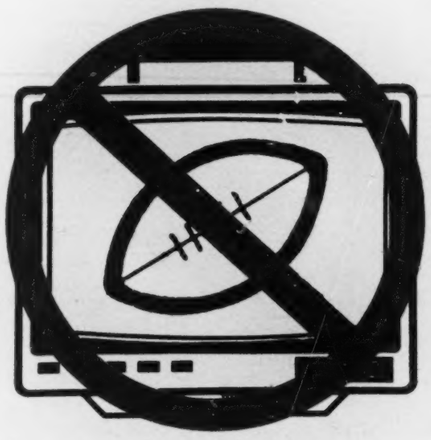
by Peter O. Keegan

The National Football League has sacked sports bar operators this fall by getting two television networks to scramble transmissions of out-of-town games, which the league says are being illegally "pirated" by sports bar owners with satellite dishes.

When CBS and NBC signed $1.8 billion worth of four-year contracts guaranteeing them exclusive television rights to NFL games last spring, the contract stipulated that they scramble signals for non-local games.

"We are required to show

*(See **NFL**, page 64)*



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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 36 September 10, 1990

NEWS BRIEFS

Shareholder suit charges TCBY with hiding results

LITTLE ROCK, Ark. — Shareholders have filed two lawsuits charging the TCBY yogurt chain and several of its officers with misrepresenting the company's sales and earnings potential.

In separate complaints, investors Kenneth Irvine and Michael Mitchell allege that the company defrauded investors and shareholders by concealing problems about its financial condition.

In a press release 1,900-unit TCBY said the allegations are without merit.

Late last month TCBY lowered its earnings projections for the third quarter ended Aug. 31, to a 25-cents-to-30-cents-per-share range. The company earned 43 cents per share in the year-ago quarter.

Following the company's announcement in earnings reduction, TCBY's stock price dropped a full point, to $7.63.

The company has also trimmed its corporate staff by laying off about 10, including Mel Leonard, a senior vice president in charge of the 144 corporate stores.

Drink tax repeal proposed by Florida lawmaker

TALLAHASSEE, Fla. — In a move championed by the state's restaurants and taverns, a state senator has drafted legislation that would replace Florida's controversial new drink tax with an increase in the general sales tax.

"A couple of people in the House have expressed their willingness to introduce a companion bill there, and we're looking to build support in the Senate for the alternative proposal," said Manny Mighdol, executive vice president of the Florida Restaurant Association.

The FRA has been striving to repeal the drink tax since it took effect on July 1. The measure requires restaurants and taverns to collect a surcharge of 10 cents for every ounce of liquor or 4 ounces of wine that they sell and collect an additional 4 cents for every 12 ounces of beer that they serve. Operators complain that basing the tax on the volume of what they pour rather than the amount of money they collect has created a bookkeeping nightmare.

The repeal proposal is sponsored by Bud Gardner, a Democrat from Cocoa Beach.

Target unveils new food court

MINNEAPOLIS — Target Stores has projected that its new five-segment in-store food court, called Food Avenue, will triple food and beverage sales.

In a departure from Target's traditional snack bar, Food Avenue highlights separate sections, including pizza, Mexican fast food, a grill, a snack shop and a bakery. The decor is more upscale than in the older stores, using ceramic tile tables instead of booths and neon lighting.

"This is an experiment for the Target of the future," said Al Hodges, director of food operations. "We plan to become a destination for eating as well as shopping."

The prototype Food Avenue is located in the new Target Greatland store in suburban Apple Valley.

BK sues Winner's over Chicken Tenders name

MIAMI — Burger King Corp. is suing RTM Winner's Corp., operator of Mrs. Winner's Chicken & Biscuits, for using the brand name Chicken Tenders, which Burger King introduced several years ago.

Burger King wants the federal court to order Mrs. Winner's to stop selling its Chicken Tenders product and to force RTM Winners to surrender any profits it made from the product.

In July, Mrs. Winner's restaurants in the Atlanta market introduced Chicken Tenders, a deep-fried boneless strip of chicken breast.

Spokesmen for RTM Winner's questioned whether Burger King's product name is proprietary in noting that the U.S. Agriculture Department has designated the fleshy, boneless part of the chicken breast as a chicken tender.

Burger King noted in its suit that it introduced Chicken Tenders in 1986.

Captive A & W exec urges Hussein to free dependents

BAGHDAD, Iraq — In a face-to-face confrontation with the president of Iraq that may have helped provoke a change in his hostage policy, A & W Restaurants vice president Kevin Bazner challenged Saddam Hussein to release all women and children detained since the Iraqi invasion of Kuwait.

Less than an hour after the Aug. 28 propaganda telecast in which Hussein met with Bazner and other Western hostages, the president said all women and children could leave Iraq.

Bazner, held with his wife and two small children since Aug. 2, appealed to the Iraqi leader to free dependents as a gesture of his "sincerity."

Hussein, at first resisting Bazner's plea, responded: "The proposal that you have made is only to be expected from a man because men, the first thing they have in mind is to free women and children somehow."

Sacramento mulls new no-smoking regulations

SACRAMENTO, Calif. — Restaurateurs in the unincorporated areas of Sacramento County would have to increase the area set aside for non-smokers from 10 percent to 50 percent of their seats under an ordinance the board of supervisors was set to vote on.

The ordinance also requires 50 percent of seating be set aside for no smoking in all other public places, such as airport lobbies, and bans smoking in all workplaces. The Sacramento City council is expected to consider and adopt a similar measure, local restaurateurs said.

Sam Manolakos of the California Restaurant Association's Sacramento chapter said a provision in the proposed ordinance permits operators who can prove a financial hardship to reduce the amount of seats set aside for non-smokers to 25 percent.

Many area operators already have 50 percent non-smoking seating, he noted.

Washington state restaurant official Gordon to retire

SEATTLE — John F. "Jack" Gordon, executive vice president and general manager of the Restaurant Association of the State of Washington since 1966, said he would retire in April, 1991, ending a 25-year career with the association.

RASW officials reported that the executive board had approved a five-year transitional retirement plan for Gordon, who will act as director of the association's Seattle-King County Chapters and as coordinator of its biennial legislative galas and regional expositions and conventions. No replacement has been named.

During Gordon's tenure with RASW, its membership grew from about 300 to 2,500, and its budget increased from less than $100,000 to better than $1.5 million, the association reported. He oversaw the creation of RASW, which resulted from the merger of the old Washington State Restaurant Association, the state's Class "H" Association and the lobbying arm of the Washington State Hotel-Motel Association.

Ogden debuts at Shrine theater

LOS ANGELES — Ogden Allied Entertainment Services has debuted as foodservice contractor at the 6,300-seat Shrine Civic Auditorium, the largest theater in North America.

The New York City-based contractor, which also services the Los Angeles Convention Center, the Greek Theatre and the Forum here, made its first Shrine appearance at the Aug. 17 performance of the Bolshoi Ballet.

The contractor, which will tailor menus to various types of performances and functions, held a backstage preview to show off high-end specialties, including salmon caviar, grilled lamb chops, sautéed garlic shrimp and chocolate-covered strawberries.

FINANCIAL NEWS

Rax continues comeback with new menu, sale of units

by Bill Carlino

COLUMBUS, Ohio — Rax Restaurants, in a two-pronged strategy designed to position itself as a top contender among sandwich chains and, in the process, reverse a series of quarterly losses, has introduced a new discounted menu while placing a string of sluggish units on the selling block.

"The saying that a chain must be all things to all people just doesn't fit with us," said Ira Hermann, chief executive of the 450-unit operation, based here. "We're strengthening our regional focus by gradually getting rid of our underperforming restaurants in weak markets. We're also pursuing aggressive discounting."

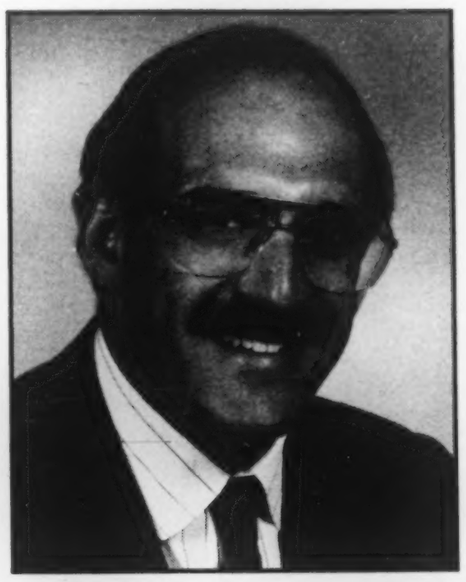
Although Rax Restaurants has undergone seven consecutive quarterly losses, it ended the third quarter of 1990 on an uptick. For the third period ended April 30, Rax shaved its red ink by almost 62 percent, to $736,000, compared with a $1.9 million loss in the year-ago period.

Despite the company's inability to show a profit, same-store sales for company-owned Rax units have consistently risen since the fiscal year began, up 5 percent, 11 percent and 13 percent respectively, through the first three quarters.

According to Hermann, systemwide sales are expected to hit $340 million for 1990, which would be a $10 million hike from the 1989 figure.

Henry Szabo, chief financial officer for Rax, attributed the company's earnings woes to tougher segment competition, overstaffed units and a logjam of hot and cold items on its now scaled-down food bar that resulted in exorbitant food and labor costs and a loss of identity with the customer.

"We've tweaked down the number of items on the food bars, and we're back to our



Ira Hermann

sandwich roots," Hermann said. "Now we have a much clearer focus of what we're supposed to be."

To extract the ever-dwindling fast-food dollar from value-conscious consumers, the chain has unveiled its new "Rax Super Savers Menu" in its backyard of Columbus — a competitive hotbed of fast food. The chain's new thrifty offerings will feature four entrées priced less than 99 cents.

Originally tested in Tampa, Fla., the Rax Super Savers Menu will offer two types of roast beef sandwiches — a Cheddar melt and a barbecue item and two varieties of soft-shelled tacos — chicken and a beef, bean and cheese variety.

"When fast-food competition is as tight as it is today, you have to do some type of price-cutting," Hermann explained, "whether it's in couponing or an alternate menu."

With the rollout of the Super Savers fare, Rax joins a growing portfolio of fast-food chains, including Wendy's and Taco Bell, that have rolled out items retailing for less than 99 cents.

However, Hermann said he would not press the chain's 350 franchisees to carry the new fare. Like most new products or promotions, the Super Savers will be a licensee option.

Rax is also shoring up pockets of stagnant units by divesting a total of 16 restaurants located in Louisiana and Florida and writing off in excess of $1 million in fixed assets.

The fixed asset write-off consists mainly of equipment, decor and carpeting replaced during an extensive store remodeling program several years ago.

Hermann said that the total asset disposition of $5 million would impact the chain's results for the fourth quarter of 1990, which have not been declared even though the period ended July 31. He added that the $5 million loss would result in an annualized cash savings of about $900,000 for Rax.

"We now look at each store as an individual profit center," Hermann noted. "We don't need stores with negative cash flows. The Florida restaurants in particular were sinkholes for us and offered no long-term growth opportunity."

Hermann said that he has already received some tentative offers for the units but declined to name the interested parties.

During a 16-month tenure at the helm of Rax, Hermann orchestrated the rollout of several new products, including a grilled chicken and a mushroom melt sandwich and twisty fries. He also instituted the Franchisee Partnership Program, a decreased royalty payment structure for new restaurants during the start-up phase.

Said Hermann, "I think we're gradually turning it around."

FOOD PRICE OUTLOOK

Frozen shrimp supplies increase

by Patt Patterson

Frozen shrimp is in better supply than it has been for the past two years. Although imports were down somewhat recently, they're still running about 10 percent higher than last year's. Domestic Gulf landings are greater than for the past two years. The oil spill off Texas hasn't seemed to affect the catch, but marine biologists say next year's catch may be down because of adverse effects on breeding grounds.

Louisiana's shrimp catch just started, with early landings mostly smaller sizes. Larger sizes are expected late in the fall. Unless fuel costs run up shrimpers' costs, prices should come down, particularly on larger sizes of most imports. Prices on **black tiger shrimp,** however, may hold at present levels because of strong world demand and some limit on supplies available.

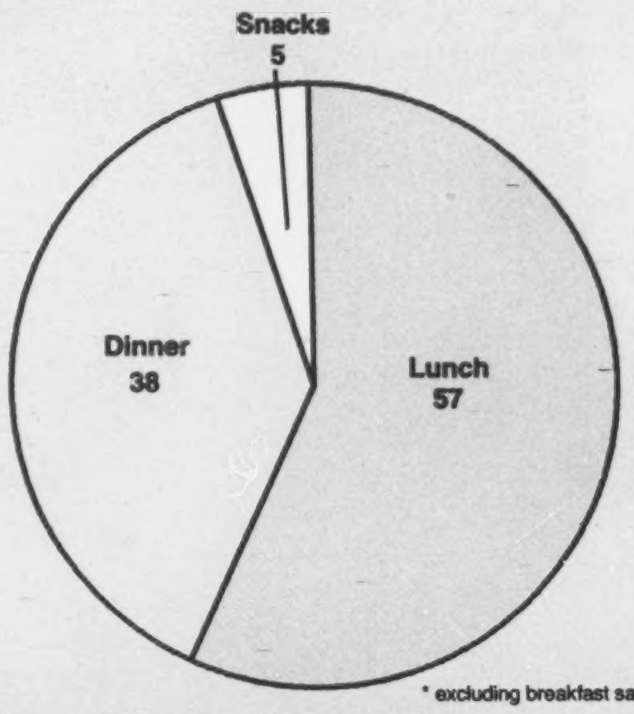
Canned salmon prices may drop lower. The **red salmon** pack is running nearly 60 percent higher than last year's, and only **chum** is posting lower figures than last year's. Even **pinks,** which earlier forecasts had shown scarcer this year, are up nearly 60 percent from last year's pack. There was a good carryover from last year, and overall salmon stocks are up more than 150 percent.

Canned tuna, though, is moving up in price. Foodservice sizes of both **tongol** and **skipjack** are affected. Albacore prices are expected to move up next on tighter supplies.

There should be about 5 percent more **frozen strawberries** available this crop year than last and 5 percent more than the average for the past five years. California freezers packed about 50 percent more than last year's crop. Mexican imports amounted to about the same amount of increase. Although prices haven't moved much yet, expect some slippage later.

FACT FILE

Share of total sandwich orders* by meal period
(in percentages)



* excluding breakfast sandwiches

Source: 1988 National Restaurant Association/CREST special study

FINANCIAL DIGEST

Rally's net jumps 56 percent

BEVERLY HILLS, Calif. — Rally's Inc. said that pro forma net income before an extraordinary credit jumped 56 percent, to $1.5 million, on a 24-percent increase in pro forma combined revenues to $19.4 million for the fourth quarter.

Pro forma figures include company results plus those from franchised restaurants in New Orleans, Birmingham, Ala., and central Indiana that were acquired last October.

Meanwhile, Giant Group Ltd. has increased its stake in the double drive-thru hamburger chain to 45.2 percent by purchasing 77,500 common shares.

For the year ended July 1, pro forma combined net income soared 78 percent, to $4.6 million, on a 32-percent improvement in revenues, to $69.6 million.

In other news, Rally's has agreed to acquire five restaurants in Ohio from a franchisee for an undisclosed amount. After the deal is completed, the company will own 88 of the chain's 237 units.

Steve's buys American Glace

LINDENHURST, N.Y. — Days after reporting a second-quarter loss, Steve's Homemade Ice Cream Inc. said it had purchased a majority stake in American Glace Inc., manufacturer of dessert products with no fat or cholesterol.

Terms were not disclosed.

Steve's, which also owns the Heidi's frozen yogurt and Swensen's ice-cream chains, said it lost $86,000 in its second quarter. In the year-ago period, the company earned $531,000.

Revenue slumped 24 percent, to $6.8 million during the period. The company blamed its deficit on poor inventory control at a major buyer, distribution disruptions in California and Florida, and a dispute with with a major New England licensee.

Meanwhile, advertising spending remains heavy, running $1.2 million heavier in the first two quarters than the year before.

Southland extends debt-swap offer

DALLAS — In a last-ditch effort to get needed bondholder approval on its complex debt-swap offer, the Southland Corp., the operator and franchisor of the 6,700-unit 7-Eleven convenience store chain, extended the offer deadline until Sept. 12.

In order for Southland to receive a proposed cash bailout of $430 million by Ito-Yokado, the franchisor of 7-Eleven stores in Japan, the chain must gain approval from bondholders representing 95 percent of the bonds outstanding in each of the five debt issues.

Under Southland's current proposal, the company would divide 25 percent of newly issued common stock among the various bondholders who wish to tender their outstanding notes.

So far, only holders of the company's preferred stock have met the minimum approval percentage, with more than 90 percent tendering their outstanding shares. Only two-thirds approval was required among preferred stockholders.

If Southland elicits sufficient bondholder approval, it will pave the way for Ito-Yokado to acquire a 70-percent stake in Southland Corp.

Southland, which accrued the majority of its $1.8 billion of debt following a 1987 leveraged buyout, drafted the debt-swap offer to satisfy bondholders who claim they would have lost more than 50 percent of their investment after the deal with Ito-Yokado.

OPINION

Personnel management

How to use knowledge as a main tool for training

by Jim Sullivan

After completing a two-hour seminar on suggestive selling techniques for several hundred servers of a rapidly expanding restaurant and bar group, the owner, who did not attend the session, came up to me afterward and said, "I assume my servers are all trained now, right?" I could only reply, "Informed, yes. Trained? No."

He looked nervous as a cat in a roomful of rocking chairs. "I thought you were training them to serve and sell?" he said. "No, sir," I replied. "I educated them on ways to merchandise your menu, but it's up to your managers now to train them."

Confusing education and training is the no. 1 reason that most restaurants' training programs fail. It results in "Teflon training," training that won't stick. Understanding the distinction between the two is the key to getting results and not just "covering content" in your restaurant's training program. Not knowing the difference between education and training results in:

- wasted time
- wasted payroll dollars
- confused trainees
- indifferent service
- lost sales
- unhappy customers who don't return.

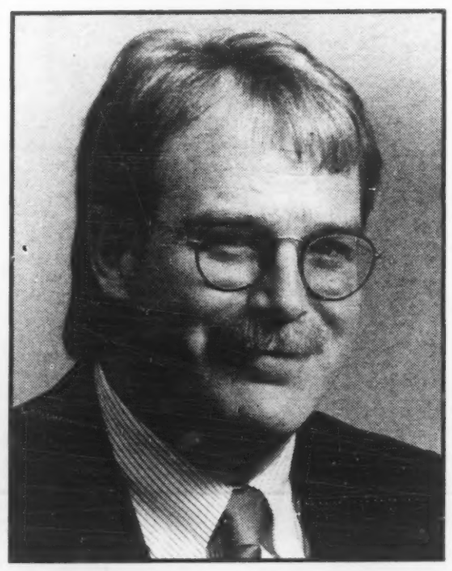
So how do they differ? Education provides knowledge. Training uses education as a tool.

Educational processes in the restaurant business usually begin the day the employee is hired. The information involves orientation and a policies and procedures review, and it is normally communicated through:

- training manuals or videos
- training meetings (informal or formal).

That's how we normally transmit the information. But how do we find out if the trainee or student is using the information on the job? One way is to evaluate the results.

How do you evaluate an educational program, such as a written training manual, a training video or a "live" orientation? You simply consider and review what a person has learned at the end of the course or manual or meeting. We can test or judge what he or she has learned through written or oral quizzing.



Jim Sullivan

Fine. Good. But how do you know that he or she really remembers what has been learned or, more important, that he or she will use it? Testing is not enough.

All of us have been trained — courtesy of the American public school and university system — to be experts on the fine art of "information dump." Remember all those exams where we knew the difference between mitosis and meiosis and could actually cipher a quadratic equation? Ten minutes after the exam we had no clue what was on it! We dumped the information on request and then seemed to purge it from our memory banks!

Yet how many restaurateurs throw a manual at their servers, followed by a quiz and then proclaim them trained? Maybe they also let servers shadow other servers so that the former can learn all the latter's good — and bad — habits in a "real life situation." That may be education, but it ain't training.

Education is passive learning.

Training is active learning.

Teacher Bob Pike says training aims at action, and you evaluate training by what your people can — and will — do. Training must be more comprehensively organized than education, because the result of disorganized knowledge is confusion. Confused people will not take action, so a training program that is not clear, organized and designed to produce results defeats itself and wastes your time and money.

Operator's manual vs. driver's ed

Think of the difference between education and learning in the following manner. Education is reading the operator's manual. Training is learning the behavior necessary to drive the car.

How many of you would give your car's operator's manual to someone who's never driven a car, let him or herread it once, take a quiz and then confidently hand the person the keys to your vehicle with a cheery "Enjoy yourself!"? It would never happen.

Yet how often do we fail to provide adequate time to train our employees to use the education we've shared with them? And then allowed them to practice, rehearse, be critiqued, practice some more, ask questions, role-play and so on until we're sure he or she has got it? Not often enough in most restaurants and never in others.

Think about this: Making one guest angry enough to leave your restaurant, tell all his or her friends about it and never come back because he or she was waited on by an indifferent server will cost you more in the long run than someone wrecking your car — the 10-year value of a restaurant guest "regular" and referrals is in the neighborhood of $50,000!

As a matter of fact, just multiply your average lunch or dinner tab times the number of days per year you're open, and that's the cost of losing just one customer per day to indifferent service or management. So don't just "educate" your servers, manager or kitchen staff with a manual. Coach, guide, rehearse and practice with them until their behavior becomes automatic.

Changing behavior and action are the keys to changing habit. You can't transform a wait staff order-taker into a salesperson by just educating them. Education is the horse. Training is the jockey.

Jim Sullivan is president of Pencom, a hospitality training and management firm in Denver.

Cook-chill is hot; sous vide is a mystery

by Arthur Wechsler

Considerable attention is being directed by equipment manufacturers, foodservice consultants and large volume feeders to a food preparation and storage system usually referred to as cook-chill.

To gauge just how much foodservice operators know and care about the process, we put the questions to our panel of menu planners and product screeners, a microcosm of the industry. The 313 respondents in the sample represent approximately 30,000 establishments.

Cook-chill is associated with non-commercial feeding. But barely half the commercial respondents in the Trendspotter survey were familiar with the process.

After being probed on their degree of awarenessand understanding of cook-chill, the surveyed operators were provided with this definition. "A system where food is hot-filled in special film bags, sealed, immediately chilled to stop the cooking process and refrigerated. The food is later reheated."

Hospitals appear to have the most interest in the potential benefits of cook-chill followed by the employee feeders. Colleges and schools, in this survey, were relatively light users and least likely to convert in the near future. Note: There is some penetration of correctional foodservice for cook-chill.

A closer look at commercial segments reveals hotels are more likely to have "considerable" interest in cook-chill for the foreseeable future than are dinner houses or family restaurants. However, at least "moderate" levels of interest are noted by dinner houses, fine dining and midscale — from 44 percent to 32 percent of the respective groupings.

Considerable polarization within the commercial sector was seen in the response to the statement "Cook-chill only makes sense at volume level of at least 500 meals a day." Just over one-third agreed, and the same ratio disagreed.

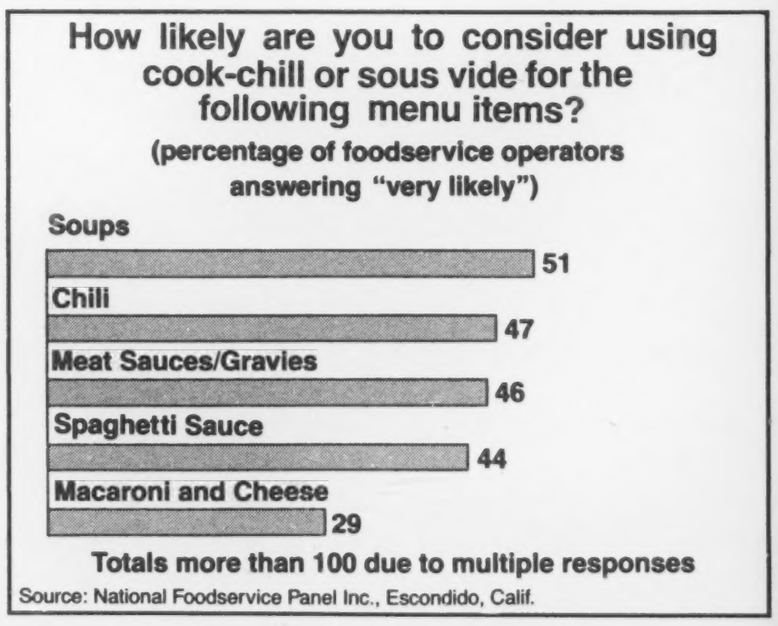
A relatively small group of equipment and packaging companies is active in the cook-chill field, at least from the standpoint of selling a "system" and "services" rather than simply "products." It was not difficult to identify 15 alleged benefits that cook-chill could provide certain foodservice operations.

These three claims had the strongest level of credibility for commercial foodservice: (1) storage and inventory are easier to handle; (2) the foods are packaged at near pasteurization temperature, therefore minimizing health hazards; (3) no trained cooks are needed at the serving location.

These three claims were the most difficult to believe, for the commercial side of foodservice represented by the sample: (1) four or five weeks later, foods retain all their "just cooked" freshness; (2) the food prepared in volume at central locations uses conventional equipment; a nominal capital investment is required; (3) the results are fresh-cooked, chef-prepared foods that taste as good as homemade food.

With labor costs continuing to rise and shortages of kitchen workers acknowledged as "a problem of the nineties," it is easy to understand why the most enlightened dispensers of foodservice in the commercial field are, at the least, increasing their base of knowledge of cook-chill systems. Those currently outside the field of awareness will be forced to consider some aspect of cook-chill in the new decade.

The more elegant uptown cousin of cook-chill is "sous vide." The survey defined that French term as "The process by which fresh or partly cooked food is vacuum-packed in special barrier-film bags, cooked, immediately chilled to 34 degrees Fahrenheit and refrigerated until use. Heating at time of service can be achieved in simmering water, microwave or other ovens. The process is utilized more for individual servings than for bulk."



Before presenting the definition, Trendspotter asked the respondents if they knew what sous vide means. Fewer than half, 42 percent, said they understood the term. Of the balance far more said "don't know" than "not sure."

Sous vide to date has penetrated the more upscale side of foodservice, where chefs hold sway. It is especially interesting that just over half the fine dining and dinner-house operators in the study show little or no grasp of the system. About 30 percent of the foodservice operators we contacted are convinced sous vide will make strong inroads in the 1990s.

Arthur Wechsler is president of National Foodservice Panel Inc., Escondido, Calif.

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 37 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | September 17, 1990

Gulf crisis pummels restaurant stocks

Rally's, Cracker Barrel, Sbarro shares take a beating as Wall Street frets over oil prices, economic outlook

by Milford Prewitt

Restaurant stocks are among the early casualties in the war of wills being played out on the desert sand of the Middle East.

Since the Iraqi invasion of Kuwait and the ensuing build-up of American military might in Saudi Arabia, restaurant stocks have taken a pounding as investors abandoned the segment for safer havens.

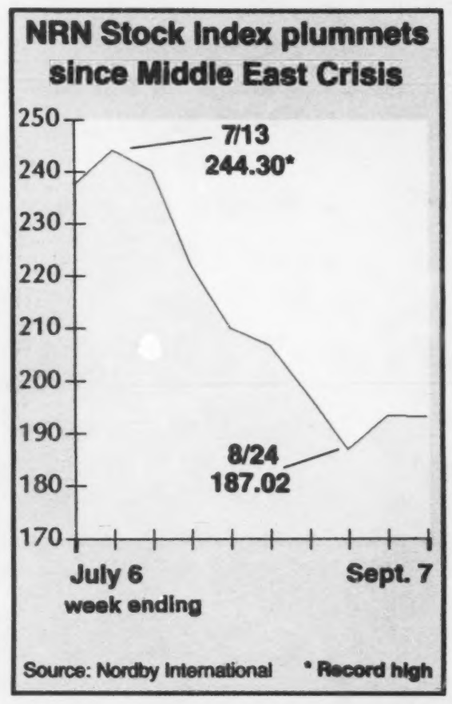
Rally's, Cracker Barrel and Sbarro were among the hardest hit following the Persian Gulf upheaval.

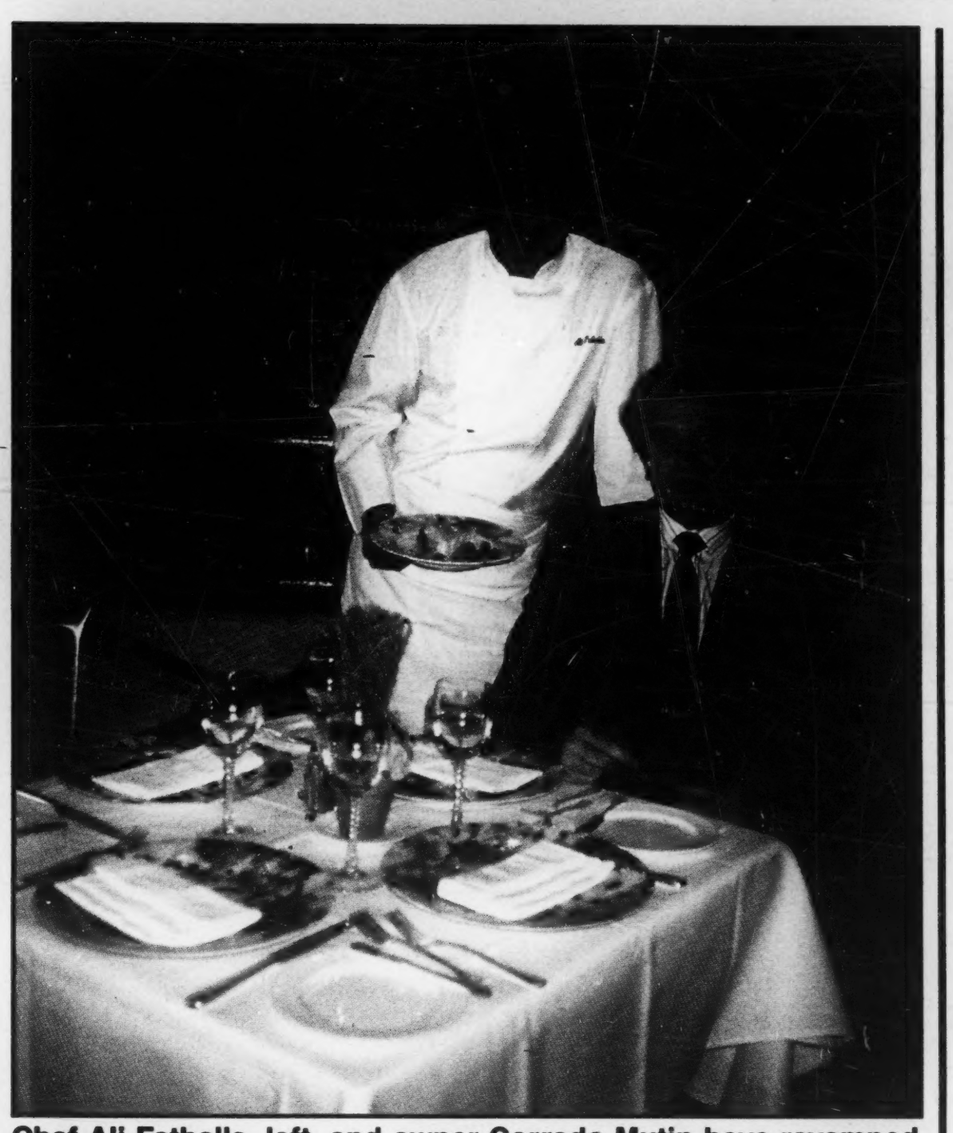
Investors bailed out of their restaurant portfolios under the presumption that a Middle East war would create oil shortages, increase gasoline prices and limit discretionary spending. Given the industry's pre-existing softness and widespread forecasts about a recession in the general economy, the showdown in the Persian Gulf could not have come at a worse time, analysts said.

"I think investors had an immediate knee-jerk reaction to dump on an industry that they perceive as being dependent on oil and gasoline," said Joseph J. Doyle, an analyst with Smith Barney in Manhattan. "I think it is an unfair justification.

"But where their concerns are justified is if increasing oil prices trip the economy into a recession. Then we'll have an industry, that some would say

(See GULF CRISIS, page 14)





Chef Ali Fathalla, left, and owner Corrado Mutin have revamped the menu at Ca'Nova in New York.

Stylish menu, tough controls revive Ca'Nova

by Paul Frumkin

NEW YORK — When chef Ali Fathalla took over the kitchen of Ca'Nova last April, the stylish, 1-year-old Italian restaurant was barely holding its own against other Madison Avenue neighbors.

Sales were lackluster, critics were unimpressed with the restaurant's largely veal-and-pasta menu, and food costs were raging somewhere around 60 percent.

"We were making just enough to stay open," recalled owner Corrado Mutin, a veteran of such New York restaurants as Parioli Romanissimo and Harry's Bar in the Sherry-Netherlands hotel. "If I had to survive that way, I would go

(See CA'NOVA, page 95)

Wisconsin resorts hurt by limits on liquor licenses

by Carolyn Walkup

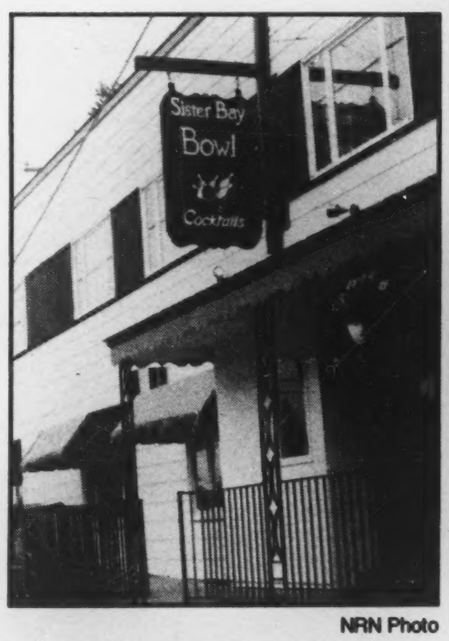
SISTER BAY, Wis. — Limitations on issuing liquor licenses have left many Wisconsin resort restaurant operators high and dry.

Wisconsin law restricts the number of licenses per municipality to one license for every 500 residents. Since the law does not count seasonal tourists as residents, it leaves many resort communities with a large number of restaurants that cannot serve liquor or wine.

No restrictions have been placed on the number of beer-only licenses, but many operators, particularly of fine-dining establishments, get more requests for wine than for beer. A bill to create a new wine-only license died in committee in the last legislative session but is expected to be reintroduced in the next session in early 1991.

"It's difficult to explain to patrons that you can serve beer and not wine in the 1990s," said Lars Johnson,

(See LIQUOR, page 94)



NRN Photo

Such signs as this one at Sister Bay Bowl, which has had a full liquor license for years, are rare on Wisconsin's Door County peninsula.

Vincent Orza

Orza heads to GOP runoff in Oklahoma

by Charles Bernstein

OKLAHOMA CITY — Vincent Orza, the president of Eateries Inc.'s Garfield's Restaurant & Pub chain, moved into the favorite's spot for this week's Republican gubernatorial runoff with an overwhelming plurality in the Aug. 28 primary.

Orza, a newcomer to politics who was regarded as an underdog to former U.S. attor-

(See ORZA, page 4)

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Rick Telberg/Page 32

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Subscription rate: Food-service operators and wholesalers/distributors, one year $34.50; 2 years $55.00; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 37 September 17, 1990

NEWS BRIEFS

Lawmaker seeks tax credit for ADA compliance

WASHINGTON — A tax proposal wending its way through Congress would grant restaurants and other small businesses a $5,000 tax credit for expenses incurred in complying with the new Americans with Disabilities Act.

The ADA, which will be phased into effect beginning Jan. 1., will require foodservice outlets and other public places to remove most impediments facing handicapped patrons and employees. Many business groups opposed the law because of the costs of compliance.

Under the Small Business Tax Act of 1990, places would be able to write off an additional $5,000 of the expenses. The provision was written by Rep. Dan Rostenkowski, D-Ill., whose chairmanship of the House Ways and Means Committee enhances the measure's chances of passage.

I Can't Believe It's Yogurt to buy I Love Yogurt

DALLAS — I Can't Believe It's Yogurt, a 362-unit frozen-yogurt chain, has inked a letter of intent to acquire the assets of the 18-store, publicly held I Love Yogurt chain.

Terms were not disclosed.

All five company-owned I Love Yogurt stores will be converted to the acquiring company's concept. Franchisees have the option of retaining the I Love Yogurt name or converting, I Can't Believe It's Yogurt said. Both chains are based in Dallas.

Rax lays off 23 employees

COLUMBUS, Ohio — Bruised by higher overhead costs and sluggish sales, Rax Restaurants Inc. has laid off 23 of its 130 administrative employees and transferred another five to operations posts.

Cuts were "virtually across the board," said Ira Hermann, chief executive of the 450-unit sandwich chain operation. The staff reductions were made in the chain's accounting, management information systems, and research and development departments.

"This is not a reactionary measure," Hermann stressed. "But we've experienced some sales declines, and we feel that it's a prudent decision at this point. Right now there is an overall softness in the industry, and we're affected just like everyone else."

For the third quarter ended April 30, Rax reported a loss of $736,000 on revenues of $27.4 million.

Consul trims 40 from payroll

MINNEAPOLIS — Consul Restaurant Corp., the largest Chi-Chi's franchisee, said it has eliminated more than 40 management positions and trimmed its headquarters' overhead by 15 percent to 20 percent in an effort to reduce costs by $1 million.

The cutbacks followed a difficult summer in which "we were anticipating a 3 to 4 percent [sales] gain and things were flat to slightly down," said Bill Etter, president of the 53-unit operation. "We expect that it might be a slow winter."

He attributed the downturn to a combination of increased competiton — particularly from Red Lobster, Olive Garden and Chili's — and a softening economy.

"Stores that had eight managers will go down to seven, those that had five will go down to six and ones that had six will go to five," Etter said.

Consul reported a 280-percent jump in profits, to $515,000, for the second quarter ended July 4.

Disney to open drive-in movie concept at MGM

ORLANDO — In a sequel to its red hot '50s Prime Time Cafe — where servers dress and talk like TV moms — Disney-MGM Studios is developing Sci-Fi Drive In, a parking lot-themed concept, where the patrons will sit in cars and watch vintage spaceship flicks while they dine from a deli menu.

One of four new feeding units to open at 15-month-old Disney-MGM between December and June, Sci-Fi Drive In has the potential to outdraw and outshoot '50s Prime Time, said Larry Slocum, vice president of foods for all the Disney parks here.

"We're even putting roller skates on the hostesses," said Slocum, adding, "Those movies are the kind where you can see strings holding up the props."

Judge restrains Spillman from operating near Pizza Inn units

DALLAS — A federal judge has barred Pizza Inn founder and former chairman Francis J. Spillman from operating for two years any restaurant falling within a 5-mile radius of a Pizza Inn.

The preliminary injunction was handed down in a trademark infringement suit brought by Pizza Inn against Spillman, operator of 17 Oregano's Pizza units, most of which were formerly Pizza Inns.

The suit charges that Spillman continued using proprietary Pizza Inn signage, logos, menus and promotional coupons long after he was ejected from the system as a franchisee.

The ruling came after a two-day hearing in which Pizza Inn produced more than 100 examples of the alleged trademark infringement by Oregano's.

A formal trial is scheduled for November.

Employers must retain reservist benefits, IRS rules

WASHINGTON — The Internal Revenue Service has ruled that restaurateurs and other employers may not discontinue the medical insurance of staffers who are summoned for active military duty because of the Middle East crisis.

Employers must also maintain coverage of reservists' families, the IRS said.

The ruling clarifies businesses' obligations when employees in the military reserves are reclassified for active duty. An undetermined number of restaurant employees have been among the estimated 9,000 reservists who have been called up thus far.

Big 4 opens two in Phoenix

PHOENIX — Big 4 Restaurants Inc. has opened two new restaurants here and is putting the finishing touches on a third.

Cafe 66 and Arizona Terrace opened early this month in the Phoenix Plaza. Aldo Baldo, an Italian Ristorante, is slated to debut in October at the Scottsdale Fashion Square.

Cafe 66, a 180-seat delicatessen-style cafeteria, will offer soups, salads, sandwiches and desserts for breakfast, lunch and delivery.

Grilled items are featured at the more upscale, 140-seat Arizona Terrace, which has a buffet and à la carte menus for lunch and early dinner.

Aldo Baldo will specialize in light Italian cuisine, including fresh pastas, polenta, grilled pizzas, an assortment of Italian waters and sodas, homemade breads and gelato and olive oil. Chef Lucio Iaconetti is working with other Big 4 chefs, including Oscar Taylor's Linda Marcinko.

Theme-park chefs cop top honors at Southeast show

ORLANDO — Reimund Pitz, the executive chef at Disney-MGM Studios, and Steve Jayson, the executive chef at Universal Studios Florida, earned the top two culinary crowns before 18,000 attendees of the Southeastern Foodservice Exposition here.

Pitz won the 1990 Governor's Cup Seafood Challenge to become Seafood Chef of the Year with a dish called Sarasota Seafood Minestrone.

Jayson edged out Pitz on taste points to become Beef Chef of the Year after the two chefs tied in the 1990 Florida Beef Cook-Off. Jayson prepared a wild mushroom-stuffed flank steak dish.

Chef-owner Louis Perrotte of Coz au Vin here triumphed in the annual hot-food mystery box competition, and Ana Price, a Walt Disney World chef-trainee, won the apprentice hot food event. Three gold medals were awarded in the cold-food salon, which drew 27 competitors.

FINANCIAL NEWS

Gulf crisis pummels restaurant stocks

(Continued from page 1)
is already in a recession, having to face an even more negative set of circumstances."

The Nation's Restaurant News Stock Index, a market-weighted measurement of 64 industry issues — the broadest gauge of industry stock market performance — lost nearly a quarter of its value in the weeks following the Persian Gulf flare-up.

The NRN Index — which had hit a historic high of 244.30 for the week ended July 13 — was already sliding before Iraq seized Kuwait. But after the hostilities, the NRN Index lost 16 points by the week ended Aug. 10 and kept dropping. The NRN Index fell 57.28 points, 23 percent of its value, to close at 187.02 by the week ended Aug. 24, before rebounding slightly to 193.50 Aug. 31.

For the comparable week a year ago, the NRN Index closed at 199.5. Not since the week of April 21, 1989, when the NRN index finished at 178.10, has it sunk as low as the Aug. 24 closing week.

The Dow Jones Industrial Average also had a dramatic fall. Hovering at one point in July at an unprecedented 3000, the DJIA plummeted to 2800 the day after the invasion and kept dropping in the following weeks to the low 2500 range before recent trading showed some recovery to the mid-2600s.

The Standard & Poor's 500 Index also sank, losing 10 percent of its value in August.

Analysts are united in a common view that the loss of luster in restaurant stocks stems from investor perception that the restaurant industry is dependent on a consumer base that needs gasoline.

That explains, they argue, why such issues as Cracker Barrel — whose stores are primarily along highways — lost 24 percent of its value.

Cracker Barrel tumbled from $27.50 from the last week in July (a week earlier it hit at 52-week high of $28.50) to about $22 at the end of August.

But Rally's, the drive-thru burger chain, was hit even harder and turned out to be the biggest loser during the period.

Rally's shares lost 26 percent of its value between its July 13 closing price of $17.25 per share and its August finish of $12.75.

Other big losers to the guns of August included Walt Disney Co., down from $116 a share to $102.38, just $1 shy from its 52-week low; TCBY, down from $12.25 to $7.38 per share; McDonald's off 12 percent, from $31.75 to $27.88; Sbarro, off 18 percent from $31.88 per share to a recent close of $25.88.

Caroline Levy, an analyst with Shearson Lehman Brothers, said restaurant stocks were already heading for the basement after McDonald's disclosed soft earnings growth for its second quarter ended July.

"But the more substantial problem is that small companies, which is what restaurant stocks are typically, do not do well in a recession," she said. "They are just more vulnerable than well-capitalized stock."

Moreover, she and other stock pickers argued that when large capitalized companies are on market-weighed indexes that are primarily made up of Over-The-Counter issues — like NRN's — a setback from a giant company can drag down an entire segment.

Steven Rockwell, an analyst with Alex. Brown & Sons in Baltimore, said he disagreed with the notion that McDonald's sluggishness influenced investors and paved the way for the current softness in industry stock prices.

"To lay the blame on McDonald's is unfair," he said. "McDonald's has not always performed in tandem with other companies, and investors realize that the results of one company have little to do with the performance of a whole group."

Rockwell also challenges his peers' assumptions that restaurants do poorly in a recession.

"If you look at past recessions, restaurant stocks tend to underperform other segments at the beginning of a recession," he said. "But over time, the group rebounds quicker than others."

Rockwell further asserted that in some ways the weakening among restaurant stocks may be a market correction. He noted some issues — Chili's, Sbarro's, Cracker Barrel, to name a few — may have been overpriced from the start. As a result, the Iraqi invasion of Kuwait became a good excuse for investors who bought low to sell high.

Despite the widespread belief among analysts that rising oil prices mean less consumer dollars will be spent at restaurants, Michael Mueller, an analyst with Montgomery Securities in San Francisco, offers a different perspective.

"I personally disagree with the idea that if oil prices go up, consumer spending weakens," Mueller said. "I am unable to find any correlation between weakening consumer spending and weakening restaurant sales.

"During the 1970s, for example, there were many examples of companies that reported consecutive earnings growth during a recession. So I don't think restaurants are negatively affected by consumer spending. What they will be affected by is if the supply of oil is cut off."

In addition, Mueller stated that the restaurant segment is in a much stronger condition than it was in the 1970s to weather the perils of an oil-induced recession.

He noted that minus a few exceptions, the balance sheets of most foodservice operators are not so highly leveraged as they were in the 1980s, giving restaurants a chance to secure and improve management rather than borrow to finance expansion drives.

FOOD PRICE OUTLOOK

Domestic cheese prices level off

by Patt Patterson

Four factors seem to have contributed to the leveling off of domestic **cheese** prices in recent weeks. One is that larger supplies of milk are available for cheese manufacturers. The second is that cheese inventories are up — in some cases as much as 10 percent. Also, demand seems to have plateaued, except for Italian cheeses used in pizza making. And, finally, the federal government has been buying only limited amounts. If cheese production continues at current rates and demand remains stable, prices may drop somewhat.

Prices for green coffee beans are moving up slowly. The reason is the uncertainty of supply. Brazil is absorbing a large part of its own production internally, and European stocks are running low with prospects for better prices there for coffee producers. No immediate effects are expected on roasted coffee prices here. U.S. roasters have large supplies purchased at the low point of the market, in some cases enough to last throughout the winter — traditionally the big coffee usage period.

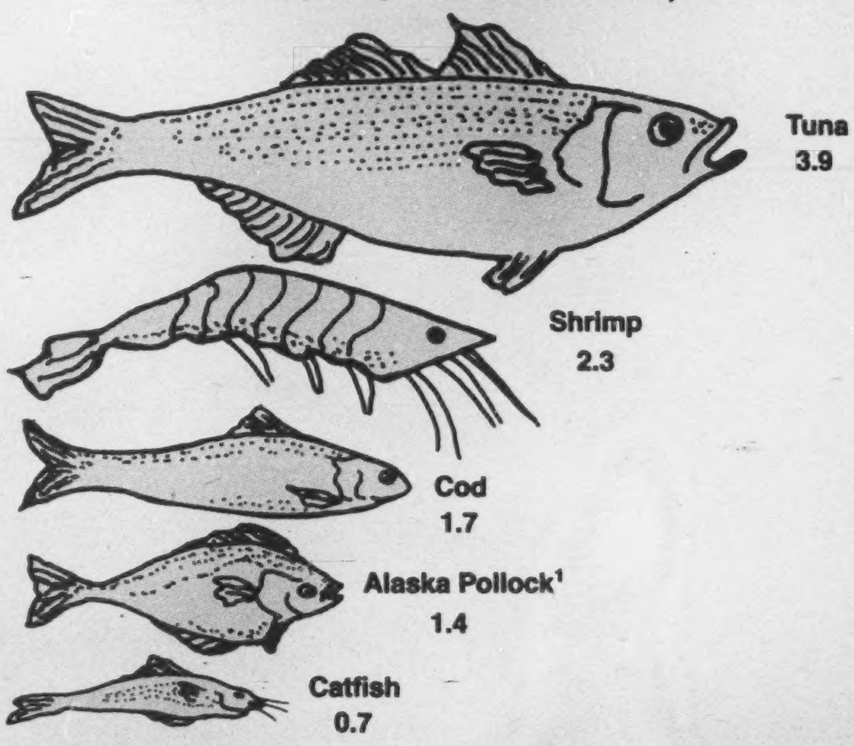
Poultry prices are holding near last year's levels, which were moderate. Current production continues to lead that of 1989 by about 5 percent to 6 percent, so prices should be stable for the next few months. **Egg** prices are down from last year's highs by about 10 percent, but that's still about 15 percent above the average for the past five years. No immediate price changes are seen.

Fish portion prices, especially for **cod, haddock** and **pollock**, are rising on sparse imports of frozen blocks and slabs of those fish. No immediate hope is in sight for increased supplies, with the prospects of further price hikes. **Whiting** supplies are in somewhat better condition, with prices more stable for now. If there's much switching to whiting, however, that picture could change quickly.

FACT FILE

Tuna's tops on seafood menus

(pounds per capita consumed in 1989)



Source: National Fisheries Institute Inc.

[1] Used in processed seafood products

FINANCIAL DIGEST

H & H completes sale of Bojangles'

NEW YORK — Horn & Hardart Co. said it had completed the sale of its 152-unit Bojangles' Chicken 'N Biscuits chain to a company organized by Sienna Holdings and Interwest Partners in a non-cash deal worth about $24 million.

To buy the chain, the investment group assumed $20 million of Horn & Hardart's 14-percent senior subordinated debentures plus $4 million in other liabilities and capital leases.

Service America posts $6.3 million loss

STAMFORD, Conn. — Citing a $15.7 million reduction in revenues from its vending arm, Service America Corp., a large non-commercial operation based here, reported a loss of $6.3 million for the first quarter ended June 30.

Service America lost $4.8 million in the year-ago period.

The contract feeder said first-quarter sales dipped 2 percent, to $268 million. It also said a $15.7 million reduction in its vending revenues was partially due to the sale of certain vending businesses.

SEC probing Red Robin franchise's stock

NEW YORK — Magic Restaurants Inc., operator of four Red Robin restaurants here, is cooperating with a Securities and Exchange Commission investigation into whether the franchise's stock price was manipulated and there was securities trading fraud, according to the New York Daily News.

Caterair completes $244M refinancing

WASHINGTON — Caterair International Corp. has issued a combination of new bonds to refinance a $244 million bridge loan that management used in December 1989 in a leveraged buyout of the former Marriott airline catering division.

Once known as In-Flite Services under Marriott's management, Caterair is projecting sales of $800 million in 1990.

Bob Evans posts 7% gain in earnings

COLUMBUS, Ohio — Bob Evans Farms Inc. said net income for its restaurant division rose 7 percent, to $6.8 million, for the first-quarter ended July 27. Citing 19 additional units in the system over the same period last year, the company said sales for the 243-unit family restaurant chain rose 12 percent, to $89.9 million.

Overall, combined net income for the restaurant and sausage division climbed 1 percent, to $7.7 million, on a 16-percent increase in sales, to $122.8 million.

Opening costs cut Ciatti's earnings

MINNEAPOLIS — Ciatti's Inc. said preopening costs for three new restaurants and an aggressive repair and maintenance program led to a 15-percent drop in fourth-quarter earnings, to $118,388.

Sales for the quarter ended July 1 jumped 35 percent, to $4.4 million.

For the year, the operator of nine casual Italian dinner houses said that earnings rose 41 percent, to $715,929, on a 47-percent increase in sales, to $16.5 million.

Ciatti's expects to add four units in Minnesota and Wisconsin during fiscal 1991.

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Nation's Restaurant News®
THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY
SECOND CLASS
Vol. 24, No. 38 Published every Monday by Lebhar-Friedman Inc., $3 per issue September 24, 1990

Fine-dining trade group jolted to life

Fury at Travel Holiday reunion sparks drive for independent association

NRN Photo
Operators sign up to support the creation of a fine-dining group.

by Paul Frumkin

TORONTO — The annual reunion of Travel Holiday magazine award-winners erupted in anger here as the fine-dining operators assailed the magazine's new dining awards program and called for the creation of an independent trade group representing top-end restaurants in North America.

Frustrated by the prolonged downturn in the fine-dining market and stung by what some perceive as a general disregard on the part of Travel Holiday's editorial staff, the attendees met in ad hoc committees throughout the week in an attempt to develop a unified plan of action.

John Hillock, publisher of Travel Holiday, described the new fine-dining awards policy as largely reflecting consumer price-sensitivity — as opposed to the previous program, which was based on standards of excellence.

The original program, he said, "needed a lot of work. The magazine was losing readers. It was losing money."

John Decker, a consultant for the magazine, added: "The old program was not defensible. It was set up only for the restaurateurs."

The explosion came as a surprise to many at the conference, which in the past has served chiefly as a social event — an opportunity for friends and peers to get together once a year.

More photos of Travel Holiday
See page 7

However, the potential to create an independent fine-dining association appealed to many of the attendees. At one point enthusiastic restaurateurs even lined up to pledge $1,000 each for the formation of an organization that would address the needs of the fine-dining community.

Members burst into spontaneous applause when Warren LeRuth of LeRuth Enterprises in Gretna, La., and

(See FINE-DINING, page 7)

Collins to sell 209 KFC units to Pepsico for $123 million

Franchisee also plans $100M Sizzler buyback

by Richard Martin

LOS ANGELES — Collins Foods International Inc., one of the oldest and largest franchisees of Kentucky Fried Chicken, has agreed to sell its 209 domestic KFC outlets to the chain's parent company, Pepsico Inc., in exchange for Pepsico stock worth about $123 million.

Separately, Collins said it would regroup as a new corporate entity and attempt to boost its 66-percent stake in Sizzler Restaurants International through an exchange of stock with that chain's public shareholders.

Collins officials said the deal could be worth an esti-

(See COLLINS, page 120)

Industry faces slim '91 gain, says IFMA study

by Peter Romeo

NEW YORK — Despite economists' warnings of an imminent recession, a leading foodservice forecaster is predicting that the industry will fare better in 1991 than it has this year.

However, in a detailed report drafted for the International Foodservice Manufacturers Association, Technomic Inc. cautioned that the improvement would be very slight. Sales will probably increase next year in inflation-adjusted or "real" terms by a scant 1.3 percent, compared with a projected 1990 gain of 1.1 percent, the Chicago research house said.

In addition, Technomic's Forecast & Outlook calls for a slowdown in the fast-food segment, with deflated sales predicted to rise by only 2.5 percent in 1991 after swelling by 3 percent this year. And no real growth is foreseen for full-service restaurants.

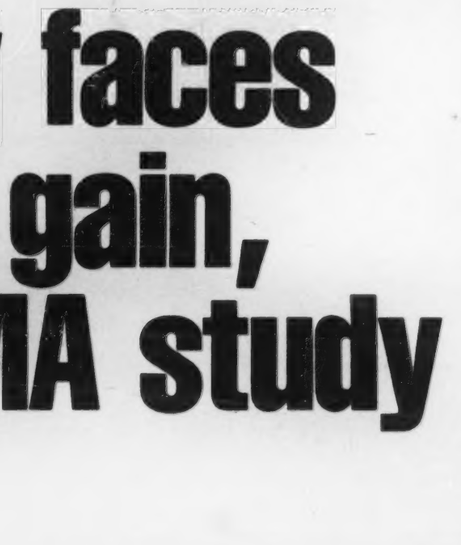
"There's no getting away from it: It's going to be a slow year," said Technomic analyst Nancy Kruse. But "there are pockets of opportunity."

For instance, Technomic predicted that the food conces-

(See FORECAST, page 4)

A segment-by-segment analysis
See page 4

Don't cost-control yourself out of business
See Rick Telberg page 42



Persian Gulf crisis threatens Fla. tourism

Operators fear high gas prices will keep vacationers away

by Jack Hayes

ORLANDO, Fla. — The 1990 hurricane season has arrived, but Florida restaurateurs are worrying more about a storm that could wipe out the state's economy if the Persian Gulf crisis leads to serious shortages of gasoline.

Aware that fall and winter business could be crippled or even devastated by any number of developments in the volatile Persian Gulf, restaurant operators — and their peers in every segment of tourism and hospitality from Miami to Panama City — are struggling to develop contingency plans should the worst happen.

"If the situation blossoms into a crisis, we'll need funds for emergency tourism advertising," said Manny Mighdoll, executive vice president of the

(See CRISIS, page 121)

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 38 September 24, 1990

NEWS BRIEFS

Foodservice sales gain 4.1% in Aug.; rise in food costs less than expected

WASHINGTON — Sales at eating and drinking places rose year-over-year in August by a scant 4.1 percent, marking the third consecutive month of a sales deceleration, according to the U.S. Commerce Department.

However, wholesale food costs did not rise as high as analysts had expected, the U.S. Labor Department reported. Prices for finished consumer foods rose at a 5.3-percent rate, contributing to a 1.3-percent increase in the overall producer price index, the department said.

In June and July, sales at eating and drinking places rose 5.9 percent and 5.4 percent, respectively.

In July the PPI held steady for the second consecutive month with a 5-percent increase.

At the start of the Persian Gulf flare-up, government and industry analysts predicted that concerns about oil and gasoline supplies would substantially raise the PPI's energy and food components. Although energy costs soared 9.6 percent in August, analysts' predictions overshot the forecast for food.

NFL shelves plan to scramble out-of-town games

NEW YORK — Bowing to pressure from fans and beer companies, the National Football League postponed plans to scramble broadcasts of out-of-town football games — to the delight of owners of sports bars that intercept the signals and show the contests to patrons.

"Commissioner Paul Tagliabue has announced that we're putting the plan on ice for the 1990 season," said NFL spokesman Greg Aiello. "We will be reviewing the policy and will come up with one next year."

Jay Love, a spokesman for the United Sports Fans of America, a group representing sports fans, said an Anheuser-Busch boycott helped the NFL change its mind. But the battle is not over, he noted.

"They dropped the scrambling — for now — but they didn't drop the lawsuits," Love said. "They are gearing up their spies for next weekend and will be prosecuting any sports bars that show the games." Love said the USFA is drafting a bill to send to Congress on the issue.

First Pizza Huts open in Moscow

MOSCOW — Red Square has gotten a red roof with the simultaneous opening of Pizza Hut's first two restaurants in the Russian capital's metropolitan area.

Pizza Hut opened a 180-seat full-service restaurant on Gorky Street in Red Square, virtually within the shadows of the Kremlin and McDonald's first unit.

Pizza Hut's second unit is a larger, 370-seat red-roof outlet in the Moscow suburb of Krystal.

A company spokesman said the two units became the chain's highest-volume outlets overnight and are expected to serve 50,000 people a week.

KFC tests new Light n' Crispy

LOUISVILLE, Ky. — In an attempt to provide customers with a lighter, more healthful choice, Kentucky Fried Chicken is testing a new product called Light 'n Crispy Chicken.

The new offering consists of skinless pieces of bone-in chicken, coated with a light, crispy breading and deep-fried in vegetable oil.

KFC spokesman Dick Detwiler said the new product had fewer calories and less fat than KFC's regular product does.

Detwiler also noted that Light 'n Crispy is being tested in Lansing, Mich. He would not say if the product would be rolled out chainwide.

Arby's expands acceptance of charge cards

ATLANTA — Arby's and Mastercard International have entered into an agreement that calls for 650 company-owned Arby's units to begin accepting credit cards.

Arby's, which began testing the use of credit cards in 1987, said it expects about 50 stores to be able to accept either Mastercard or Visa by the end of 1990, while the remainder of the scheduled roast-beef restaurants will have the ability to do so by the end of 1991.

To speed up the card authorization process, Arby's said it would install a specialized satellite broadcasting system allowing the restaurant to process a card in less than three seconds.

According to an Arby's representative, the credit card program would not be mandatory among the chain's licensees.

To support the plan, the two concerns will team up for a $1 million marketing campaign including in-store signage and print and broadcast efforts.

Prime Motor Inns confirms reports that Ch. 11 filing is a possibility

FAIRFIELD, N.J. — Prime Motor Inns, one of the nation's largest innkeepers, has confirmed that it may file for bankruptcy protection if its creditors do not agree to a debt restructuring.

During the week preceding the disclosure, Wall Street had been rife with reports that the operator was contemplating a Chapter 11 filing. The expectation sent Prime's stock price into a tailspin.

Prime purchased a number of motel chains during the latter half of the 1980s, including Howard Johnson, Ramada and Rodeway. The deals transformed the company, once a franchisee of several chains, into one of the industry's largest lodging franchisors. The transactions also saddled Prime with a crushing debt.

Earlier this year, Prime sold the domestic franchise rights to Ramada to Blackstone Holdings, a New York investment company.

Two Pesos chief in group buying James Original

HOUSTON — James Original Coney Island Inc., a bankrupt 14-unit hot-dog chain here, has been acquired for $7.3 million by a group that includes the president of the Two Pesos fast-food chain and the owner of the Fiesta Mart supermarket chain.

The buyers outbid a team that included the owner of Houston-based Thirsty's Inc.

Donald Bonham, owner of Fiesta Mart Inc., and Irvin Kaplan, a former shareholder in the Houston Rockets basketball team, led the winning team. Ghulam Bombaywala, the newly appointed president of Two Pesos Inc. and founder of the Marcos Mexican Restaurant chain, was also a member.

The rival team was led by Jack Trotter, a minority owner of the Houston Astros and J. Read Boles, owner of Houston-based Thirsty's Inc.

Early contenders also included Austin-based Schlotzsky's, which was on the verge of acquiring 67-year-old James Original Coney Island until the deal fell through 11 months ago.

James Original has been operating under the supervision of a bankruptcy court.

McDonald's unit opens in school; 'recycled' store debuts in Ariz.

SAN ANTONIO — A McDonald's franchisee here has opened the chain's first unit in a school, a Catholic facility that the operator's son attends.

Meanwhile, the burger chain is opening a unit made largely of recycled materials, in Tempe, Ariz. The new restaurant is the result of McDonald's pledge to spend as much as $160 million on building materials and supplies made from salvaged waste products.

In Holy Cross High School here, students who gave little business to the school's cafeteria are now munching on Big Macs and fries sold by an on-premises McDonald's. Franchisee Richard Contreras has explained that he opened the outlet because Holy Cross' self-operated cafeteria was losing money. Students, including Contreras' son, had also complained about the fare formerly served in the school lunchroom.

FINANCIAL NEWS

Rise in margins helps Vicorp boost profits 62% in 3rd Q

by Bill Carlino

DENVER — Fueled by improved margins in a cluster of underperforming units and strong customer response to an array of new menu items, Vicorp Restaurants Inc., operator and franchisor of about 400 family restaurants, reported a 62-percent hike in profits for its third-quarter ended Aug. 5.

Based here, Vicorp Restaurants, parent of the Bakers Square and Village Inn concepts, said profits during the period hit $4.3 million, on a 9-percent increase in revenues, to $93 million.

"We've become a growth company rather than one that's engaged in a turnaround strategy," said Peter Doane, vice president and treasurer for Vicorp Restaurants Inc. "In addition to increased bottom-line results, we're just doing a better job of running restaurants."

As an example, Doane cited increases in both systemwide and same-store sales, 6.7 percent and 10.8 percent, respectively. Over the past year Vicorp added about 10 Bakers Square restaurants to the system, including two during the third quarter.

For the 40-week period, Vicorp's net income rose 78 percent, to $12 million, on an 11-percent jump in revenues, to $303 million.

Doane stressed that a major reason for Vicorp's financial upswing is a significant improvement in profit margins at the company's California Bakers Square units.

During the third quarter of 1990, the 89 California-based restaurants reported store margins exceeding the 8-percent level, while systemwide margins for both concepts are running at about 10 percent.

"That might not sound like anything extraordinary," Doane admitted. "But considering what the California units were doing in the last several years, that's a dramatic improvement."

> "We've become a growth company rather than one that's engaged in a turnaround strategy."

He said that as recently as 1988 the California Bakers Square restaurants were either wallowing at the break-even point or submerged in red ink. The first real signs of margin improvement appeared in 1989 with a modest 4.8 percent.

"What really hurt was the lengthy conversion process from the Sambo's units," said Doane, referring to Vicorp's $84 million purchase of 175 restaurant locations from the now-defunct operation in 1984.

Scheduled for conversion to both Bakers Square and Village Inn units, the process consumed nearly four years, shearing off margin percentages for both concepts in the process. Doane said the California restaurants were hardest hit.

In addition to the gradual turnaround in California, Vicorp's profits were nudged upward by an enthusiastic customer response to last February's introduction of new menu items in both Bakers Square and Village Inn.

In the 161-unit Bakers Square chain, Vicorp added four mixed grill entrées — beef, chicken, seafood and a combination platter, each of whichcost between $7 and $9.

"When you consider the average check for Bakers Square is about $5 or $6, that's a high-ticket item for us," Doane added.

For the 121-unit Village Inn restaurants, the operation added a taco and a Cobb salad and several grilled chicken sandwiches. Depending on the market, both the salads and the chicken sandwiches retail for between $5 and $6.

Doane said Vicorp's fiscal systemwide and same-store sales projections for 1990 align with the company's current uptick.

For fiscal 1990, Bakers Square units in the Midwest are projected to hit $1.75 in annual sales compared with the $1.7 million reported during 1989, while the California units are expected to hit $1.4 million from the year-ago number of $1.3 million.

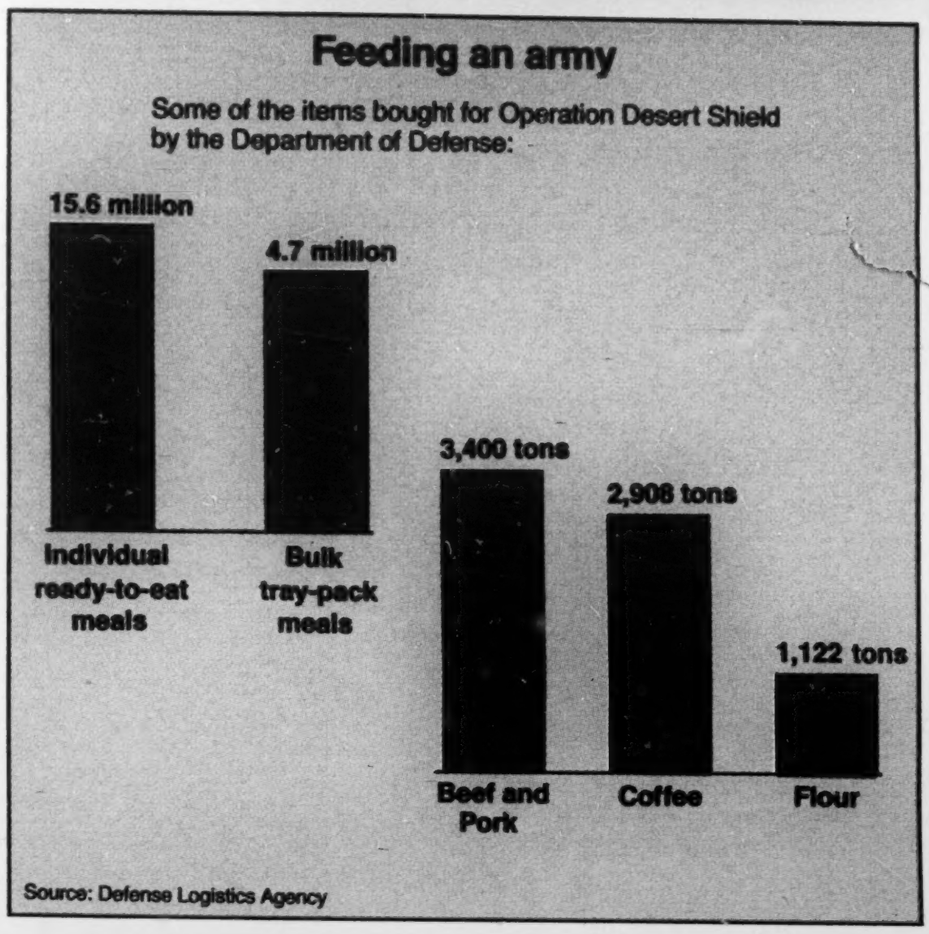
Florida-based Village Inn units are expected to average a $900,000 volume, a $30,000 jump from that of the previous-year, while Western-based restaurants should top $1.2 million in 1990, up from $1.15 million in 1989.

In addition to projected same-store increases, Vicorp's systemwide sales are projected to top $500 million for fiscal 1990, an 11-percent increase over the prior year.

Doane said the company has also committed $120 million for growth and expansion for the Baker's square concept from 1990 to 1992 with a long-range proposal to open about 34 units by 1992. Vicorp will concentrate on expanding the Bakers Square concept exclusively.

As Doane explained it, "We've come a long way, but we still have a way to go."

FACT FILE



FINANCIAL DIGEST

National Pizza buys back shares

PITTSBURG, Kan. — The bear market that stomped stock prices following the Iraqi invasion of Kuwait has prompted National Pizza to buy back its own stock at bargain prices.

The largest Pizza Hut franchisee said it would repurchase up to 1 million shares of stock, or 7.3 percent of the 13.8 million shares outstanding.

National Pizza's stock traded as high as $25 a share earlier this year. On Aug. 1, the day before the Middle East flare-up, the company's shares closed at $21. By week's end, National's stock price had slumped to $16, just 25 cents shy of a 52-week low.

In recent trading, the company's stock has rebounded to $18.75.

Ben & Jerry's posts 11% profit increase

WATERBURY, Vt. — Ben & Jerry's Homemade Inc., a retail manufacturer of premium ice cream and the operator of the 90-unit Ben & Jerry's ice-cream chain, reported an 11-percent hike in net income, to $787,000, for the second quarter ended June 30.

The company attributed the increase to the initial consumer response to the rollout of Ben & Jerry's Light — a six-flavor product line with one-third the amount of fat and cholesterol of the standard Ben & Jerry's ice cream.

During the second quarter sales for Ben & Jerry's hit $20.2 million, an increase of 28 percent over the figure for the same period last year.

Skyline Chili reverses 3rd-Q fortunes

CINCINNATI — Skyline Chili said it earned $217,258 in the third quarter ended Aug. 5, on an 11-percent gain in sales, to $4.9 million.

In the year-ago quarter, Skyline Chili said it lost $233,000 because of the closing of six unprofitable company restaurants.

The company attributed the third-quarter improvement to real sales gains at its restaurants, sales of frozen product in supermarkets and last year's restructuring.

The company said that through the first three quarters net income was $452,000, up from $68,000 in the year-ago period, on an 8-percent hike in sales, to $14.9 million.

Piccadilly Cafeterias improves 4th-Q net

BATON ROUGE, La. — Piccadilly Cafeterias cited improved labor and food costs for an 11-percent increase in net income, to $2.9 million, on a 4-percent gain in sales, to $77.2 million, for the fourth quarter ended Aug. 8.

The company ended its fiscal year with a 5-percent jump in net income, to $11.9 million, on annual sales of $306.6 million, an 11-percent improvement.

"We are encouraged by our efforts in controlling direct costs, especially labor, in light of the pressures we face during the quarter from a mandatory increase in minimum-wage compensation and soft customer counts," James C. Malmberg, president and chief executive officer, said in a statement.

The company pointed out that the earnings and sales gains came despite a 1-percent decrease in total customer counts during the quarter. Traffic for the year increased 3 percent.

The company operates 142 cafeterias in 14 states in addition to six Ralph & Kacoo's seafood restaurants.

FOOD PRICE OUTLOOK

Demand drives oil prices upward

by Patt Patterson

Several factors are affecting **cooking oil** prices.

Current prices for basic vegetable-oil stocks are higher on greater demand.

The race away from animal fats, especially by the large fast-food chains, has put a heavy pressure on supplies.

Capacity for production of some oils is being strained.

And the soybean crop, which supplies a major portion of the oil supply, is down because of heat or drought or both in some of the main growing areas: the Mississippi delta area and the Southeast. Don't look for any immediate reversal of the upward trend.

Wheat is another story. Wheat prices have sagged because of the Middle East crisis, with Iraq, one of the largest customers for U.S. wheat, cut off.

The picture is less clear in the Soviet Union. Antiquated distribution seems to threaten a large part of one of their biggest wheat crops of all time.

Some exporters are gearing up for what they think will be large purchases, thus pushing wheat prices up.

It's interesting that when wheat prices drop, operators are told that the reason there are no reductions in the price of baked goods is that the actual cost of wheat flour is so minor. Yet when prices of wheat rise, the prices of those same baked goods quickly move up, too.

Recent price cuts in **frozen orange juice concentrates** from distributors should be seen soon.

Brazilian producers lowered their prices, because of good supplies there. Since Brazilian concentrate makes up as much as half of some Florida producers' product, reductions are being passed along.

The next price move will probably be next month, when the U.S. Department of Agriculture's preliminary forecast of the Florida orange crop for 1990-1991 is issued.

Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 39 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | October 1, 1990

East meets West; North meets South

The Colonel welcomes a customer in Beijing. A world of change is taking place, and U.S. foodservice operators are cashing in by going abroad. Communism is crumbling in Eastern Europe. In Western Europe a whole new set of economic rules is being written for 1992. U.S. operators are digging new footholds in Mexico, Japan, Australia and all along the Pacific Rim. The possibilities see[illegible]e they? Nation's Restaurant News takes a cor[illegible]

Wo[illegible]oodservice goes global begins on page 142.

'Basics' back in style as food frenzy fades

Nuts and bolts of operations take center stage as novelty wears thin, experts declare

by Paul Frumkin

KANSAS CITY, Mo. — The frenzied, freewheeling spirit that dominated the American fine-dining restaurant scene in the 1980s has given way to a more restrained, operations-oriented mood in the 1990s.

Many of the experts attending the American Restaurant of the '90s conference here observed that the boom years of the last decade — which spawned great culinary creativity and seemingly unending lines of liberally spending customers — are all but over, and the new economic order will demand far more from restaurateurs than just novel fare.

"The market is disappearing, and I don't think it will ever come back," restaurateur and consultant Joe Baum told attendees flatly. "We should have anticipated that people coming to restaurants in large numbers would have stopped one day."

Louis Osteen, chef-owner of Louis's Charleston Grill in Charleston, S.C., summarized the challenges facing fine-dining operators by saying, "Today you have to put as much energy into bringing new customers in as you did a few years ago trying to fit them all into your restaurant."

Nevertheless, there was general agreement among panelists and audience alike that many fine-dining operators are, in reality, well situat-

(See '90s OUTLOOK, page 4)

DECIDING THE DETAILS

NRA, US officials meet on rules for disabled-rights act

by Peter Romeo

WASHINGTON — Fearing that foodservice operators could be saddled with some outlandish obligations, an industry delegation met here with federal regulators to discuss what responsibilities a restaurant should bear under a sweeping new disabilities law.

The Americans with Disabilities Act, a landmark measure that mandates extensive changes to make jobs and public places more accessible to impaired persons, does not take effect until 1992. But the U.S. Justice Department and the Equal Employment Opportunity Commission are already translating the law's broad guidelines into the rules and regulations that will actually govern the operation of restaurants and other businesses.

Businessmen have glumly noted that rules, which could greatly influence their enterprises, are being written by persons whose expertise is in law, not business.

"Don't think that the people who are drafting these regulations have practical minds," warned Elaine Graham, director of federal relations for the National Restaurant Association.

"There have been discussions about how restaurants could use blind persons as cashiers," she recounted.

(See NRA, page 199)

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to MUFSO '90
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Dairy Queen gets its Druther's: Regional chain joins IDQ system

by Milford Prewitt

LOUISVILLE, Ky. — For the second time in 10 years, Druther's International will change the name of its 140-unit restaurant chain as a result of a six-state territorial franchise agreement with International Dairy Queen.

Formerly known as Burger Queen, the chain will convert 100 of its quick-service, family-oriented restaurants over the coming months into Dairy Queen and will rally its franchisees to follow suit.

The deal gives Druther's the right to subfranchise existing corporate and franchisee-operated Druther's restaurants in Kentucky, Tennessee, West Virginia, Virginia, Indiana and Illinois.

Tom Hensley, the president of Druther's, said the agreement is laden with advantages for his company and IDQ, providing each a chance to benefit from the other's strengths.

"We see an opportunity to

(See DRUTHER'S, page 199)

LA McD offers all-you-can-eat breakfast deal

by Richard Martin

LOS ANGELES — A veteran McDonald's franchisee has launched a $2.99 "all-you-can-eat" weekend breakfast promotion at two McD outlets here.

Priced at $1.49 for children 12 and under, the banner-touted "Million $ Munch" offers free extra helpings of eggs, pancakes, sausages, hash browns and english muffins but does not include breakfast sandwiches, à la carte hash browns, apple-bran muffins,

(See MCD, page 199)

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Subscription rate: Food-service operators and wholesalers/distributors, one year $34.50; 2 years $55.00; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 39 October 1, 1990

NEWS BRIEFS

Menu inflation holds steady

WASHINGTON — Although the Middle Eastern crisis sharply accelerated inflation during August, the rate of increase for menu prices remained at the prior month's pace, according to the U.S. Labor Department.

With an eye on the standoff in Kuwait and the possible impact on oil supplies, economists had warned consumers to prepare for a spurt in food-price inflation during August. But Labor's monthly Consumer Price Index — the most-watched gauge of inflation — showed a 4.8-percent unadjusted year-to-year rise in menu prices, holding the tempo set in July.

However, menu prices contributed to an overall annual inflation rate of 9.6 percent, the highest in 1990.

When August's 4.8-percent rise in menu prices is discounted against a 4.1-percent sales gain at eating and drinking places during the month, restaurant traffic appears to have slipped by 0.7 percent.

Meanwhile, the rate of increase for grocery prices continued to outpace menu inflation, the department reported. Supermarket prices rose 6.2 precent in August.

Marriott, Domino's team up for novel feeding venture

WASHINGTON — Marriott's Food and Services Management division has secured rights to sell Domino's pizza in school and college cafeterias managed by the contract feeder.

In addition, the arrangement allows college students participating in Marriott feeding programs to use their meal plan debit cards to pay for pizzas delivered to their dorm rooms by a Domino's outlet.

Food and Services Management, the nation's largest contract feeder, manages the foodservice operations of 200 schools and 450 colleges and universities.

TCBY tests new soft-serve version of diet drink

LITTLE ROCK, Ariz. — TCBY Enterprises, operator of the nation's largest chain of frozen-yogurt shops, said it has agreed to manufacture and test market a new frozen, soft-serve version of the Ultra Slim Fast dieting aid.

A line of Slim-Fast shakes and frozen Ultra Slim-Fast novelties is also being tested, TCBY said. In a further nod to calorie-counters, the chain is also conducting a sales trial of salads.

TCBY disclosed the tests when it released its financial results for the third quarter ended Aug. 31. The company said its net income dropped 42 percent from the total for the same period of 1989, to $6.7 million. Revenues decreased 11 percent, to $43.6 million.

Petty takes helm of QSR

MIAMI — C. Ronald Petty has joined QSR Inc., operator of the Taco Viva and Miami Subs chains, as president and chief executive.

Petty is a former president of Burger King's domestic operations. Among his current responsibilities is the expansion of the 46-unit Miami Subs system. After franchising the drive-thru sandwich concept solely in Florida, QSR recently acquired rights to license outlets in the other 49 states.

QSR was formerly known as Taco Viva, operator of a Mexican fast-food chain of the same name.

Petty joined an executive team that already included Donald Perlyn, a former president of Lum's and creator of the short-lived Zackly's. Petty, who parted with Burger King earlier this year, replaced Donald Ryan, who left QSR in August.

Levy to midwife MTV restaurant, manage outlets at Hollywood Park

CHICAGO — Levy Restaurants here has agreed to serve as a consultant for MTV, the music video station, in the development of a rock-'n'-roll-themed restaurant in Southern California.

Meanwhile, Levy is preparing to assume management of the foodservice concessions at Los Angeles' Hollywood Park racetrack on Nov. 1.

"This creates a base of business in California, where we hope to expand," said William Post, president of Levy's Foodservice Group.

Carl's Jr. tests pizza in 3 units

ANAHEIM, Calif. — Carl Karcher Enterprises has begun selling 14-inch, baked-to-order pizzas at three Carl's Jr. fast-food restaurants retrofitted with glass-enclosed, exhibition "pizza corner" kitchens.

Equipped with separate advance-order telephone lines, the Orange County, Calif., outlets — in San Clemente, Orange and Cypress — offer the pizzas daily after 4 p.m. Order-to-service turnaround time runs about seven minutes, and the pizzas are brought to customers' tables, which is the burger chain's standard in-store service mode.

Priced from $7.99 for cheese (two for $11.99), the menu also offers $8.99 sausage or pepperoni pizzas (two for $12.99) and a $10.99 combination deluxe (two for $15.99).

McDonald's is testing pizza in some 200 outlets, and Burger King units are readying tests of Domino's-brand pizzas.

NRA to assist CDC in program to calm public about AIDS

WASHINGTON — In an effort to assure the public that AIDS cannot be contracted from food or casual contact with a food handler, the National Restaurant Association is planning to work with the Centers for Disease Control in drafting a new AIDs education program.

In addition, the health agency has offered to provide restaurants with educational materials from the first phase of the group's campaign to combat ignorance about the causes of AIDS.

"They are now planning a second phase, and they've said they'd be very happy to meet with us and discuss ways of teaching the public that AIDS is not a food-borne disease," said Jeff Prince, the NRA's senior director of communications.

After 1992 a restaurant will be forbidden to shield itself from patrons' irrational fears by reassigning a food handler with AIDS to another post. The industry lobbied vigorously to be granted that right in the Americans with Disabilities Act but was rebuffed by Congress.

Prime Motor Inns files Ch. 11

FAIRFIELD, N.J. — Prime Motor Inns, one of the lodging industry's most respected operators during the 1980s, has filed for protection under Chapter 11 of the federal bankruptcy code.

The filing followed an attempt by Prime to renegotiate its agreements with several of its major creditors. According to Prime, the lenders agreed to postpone by six months the deadline for several loan payments but were reluctant to provide the company with an additional $25 million loan.

Prime ran up a $350 million debt during the latter half of the 1980s by acquiring such franchised lodging chains as Ramada Inns, Rodeway Inns and Howard Johnson. At one time Prime operated or held the franchise rights to 1,100 inns.

Scaled-down Wyatt debuts in Texas

PALESTINE, Texas — Wyatt Cafeterias Inc. has opened a new scaled-down, fast-food version of its cafeteria concept in this East Texas town.

Palestine, with a population of 18,000, is the first location for Mrs. Wyatt's, a 90-seat restaurant with the theme and decor of a country cafe.

Entrées include chicken-fried steak, meat loaf, char-broiled chicken breast, fried catfish, chopped sirloin and a chicken-fried chicken breast.

Entrée prices at Mrs. Wyatt's range from $3.99 to $5.50. Wyatt executives are currently making plans to build a second unit in neighboring Jacksonville, Texas, population 12,800.

Wyatt's is also currently testing another scaled-down concept in a food court in a Dallas mall. Opened in March, Wyatt's Express features salads, fresh vegetables and six varieties of chicken-fried steak.

FINANCIAL NEWS

KFC profits rise from slump; chain repositions for growth

by Peter O. Keegan

LOUISVILLE, Ky. — Bouncing back from flat domestic sales and a 14-percent decline in 1989 operating profits, Kentucky Fried Chicken is recouping losses and appears to be getting back on track financially.

New leadership, improved domestic performances, continued overseas growth, price promotions and the successful launch of Hot Wings have fueled profit and revenue improvements for the 8,000-unit fried- chicken chain.

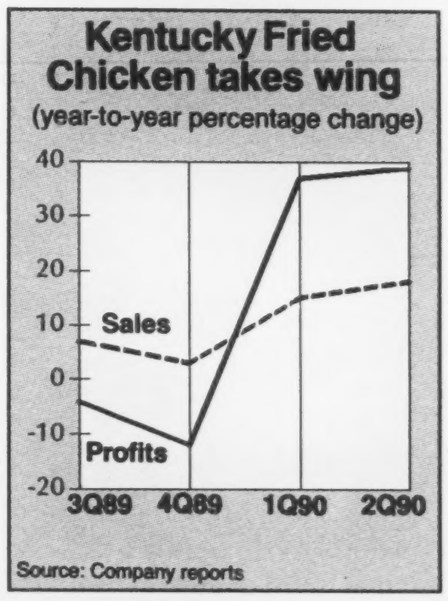
Second-quarter operating profits for the Pepsico subsidiary jumped 39 percent, to $36 million, continuing an upward spiral that began with a 37-percent profit leap in the first quarter of 1990. Operating profits for the first half of 1990 were up 40 percent, to $60 million, compared with the year-ago figure.

Net sales were up 18 percent, to $358 million, in the quarter, with combined net sales for the first two quarters up 17 percent, to 680 million.

"I think they're on the comeback trail," said Robert Cummins, an analyst with Wertheim Schroder & Co. He added that near-term performance looked good, but that KFC needs to parlay its current 5-percent same-store sales growth into double digits with new products.

"We are trying to create new traffic by offering the consumer value through promotions and by creating product news," said KFC USA president Kyle Craig.

Craig opined that Hot Wings have been the chain's most incremental introduction in a long time and is a major force driving sales growth. "They are bringing in a new type of customer," said Craig, adding that the spicy wing product is attracting patrons seeking snack foods.



"Kentucky Fried Chicken needs improved daypart sales," said Prudential Bache analyst George Thompson. "It can compare with McDonald's at night, but at lunchtime that's not a factor," he said, adding that KFC has gotten basics out of the way — like remodeling — and can now concentrate on growth.

"Pepsico has put a lot of effort behind improving the physical appearance of the units," said Roy Burry, an analyst with Kidder, Peabody. "And it is increasingly owning more units than franchised ones — which gives it more control." Burry attributed the turnaround in domestic sales to price promotions, capital expenditures and new products.

Conceding that lunch has always been a weak spot at KFC, Craig said the chain is looking at different ways to boost daypart sales through sandwiches and snack foods and hopes to continue broadening its customer base with new products like Hot Wings.

"We've been somewhat cautious on new products, maybe too cautious in the past," said Craig, noting he wants to be on the cutting edge of new product development.

Discounting, a craze that has shadowed fast-food growth in 1990, is helping to bolster sales at KFC. "Our sales have been very strong," said franchisee John Neal, adding that discounting was between 28 percent to 34 percent. "You open a paper down here, and out fall coupons from KFC, McDonald's, Domino's, Wendy's and Pizza Hut.

"We hope, over time, to create value with less discounting — but that won't happen until we create more product news. I see us doing that aggressively in 1991."

Craig also noted that KFC has to roll out more products in what he calls the "better-for-you" category. He sees consumers' perceptions of KFC as a balanced-meal alternative as a definite plus, and he is looking to capitalize on that.

The char-grilled chicken test is being expanded to Reno, Nev., from Las Vegas, where it is currently running 15 percent to 25 percent of sales.

In five years Craig is looking to boost per-unit sales averages to $1.2 million per restaurant, almost double the current average of $635,000. The company recently unveiled plans to double the amount of domestic units to 10,000 by the year 2000.

"They could benefit, because marginal costs would not be as great," Burry said of the plan. He added that greater profits could be realized through economies of scale. "But they have to be careful; fast-food demand is stagnant right now."

Craig projected that by the mid- to late '90s, two-thirds of KFC growth will be in non-traditional units.

FOOD PRICE OUTLOOK

Wheat and corn prices drop again

by Patt Patterson

With the **corn** crop estimated by U.S. Department of Agriculture forecasts at 8 percent higher than last year's quantity, corn prices have been dropping.

Some economists believe the only thing that would drive them up again would be massive sales to the Soviet Union, which is trying to harvest its largest crop in years.

Wheat prices have also dropped on a bumper winter crop (harvested this spring) plus a record spring crop expected to come in this fall. Carryover stocks at the end of June were nearly 40 percent larger than those of last year at the same time.

Again, the only potential for increases in price would be large-scale sales to other countries, primarily the U.S.S.R. and Red China. The latter country has turned to Canada for supplies over the past few years.

Despite smaller supplies of California **almonds** this year, the price has dropped. Although it is estimated that there is 14 percent less available in this country, about 12 percent less worldwide, yet producers have dropped the price to increase sales.

Other nut outlooks are mixed. The Northwest **hazelnut** crop is estimated to be up about 60 percent, the third largest on record. **Pistachio** inventories are strong with prices down. **Pecans**, on the other hand, are in short supply this year, with prices rising.

The **potato** picture isn't as rosy as was forecast earlier. Although there's more acreage, the yields per acre are down. The total crop is expected to be about the same as last year's, with no further softening in prices. That situation will affect fresh, frozen, canned and dehydrated potatoes.

Lettuce prices have moved up. **Iceberg lettuce**, now that supplies from Colorado and New York are ended, is seeing price rises for California product. Most **leaf lettuces** have also moved up in price, although prices for **butter** types are still moderate. Prices will probably hold until production has moved to the deserts.

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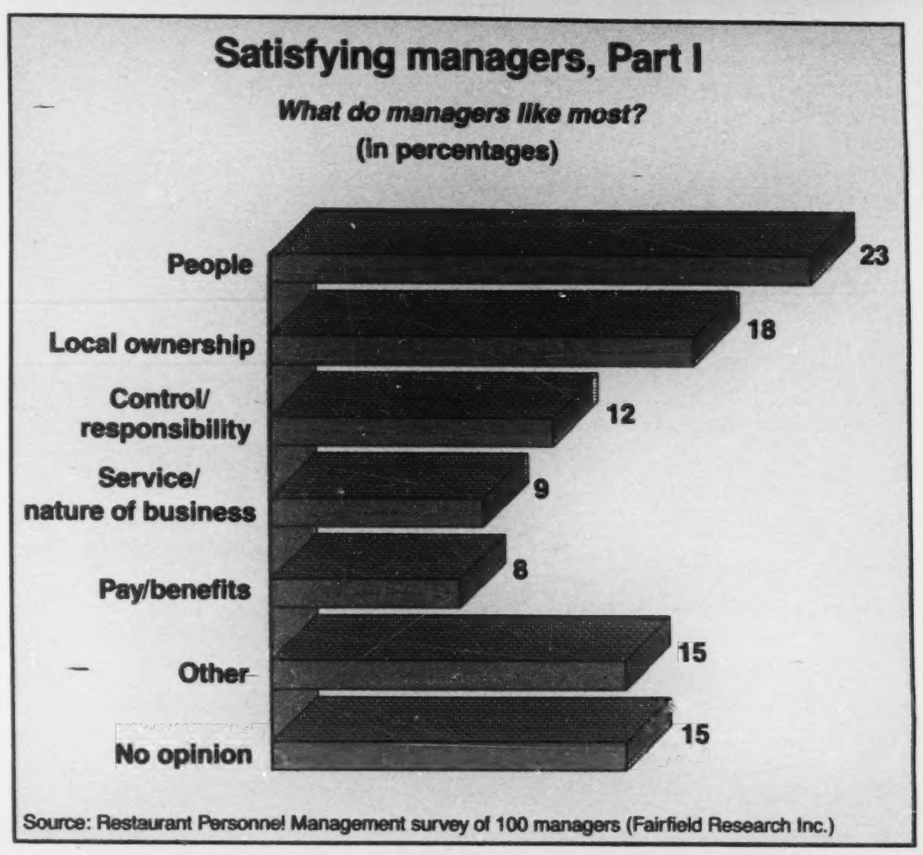

FINANCIAL DIGEST

TW Services prepays $70 million of debt

SPARTANBURG, S.C. — Citing "better than anticipated" operating performance, TW Holdings Inc., parent of TW Services, a diversified foodservice conglomerate based here, said it has prepaid $70 million on its senior debt.

Payments of $40 million and $30 million were used to pare down the bridge portion of the company's senior bank loan to $267.5 million. A representative of TW Services said that the payments were made possible because of a near 8-ercent hike in revenue for the six-month period ended June 30.

For the 1990 six-month period, revenue for the company hit $1.8 billion, a 12-percent increase vs. the year-ago figure.

TW Holdings, which operates Canteen, a non-commercial feeder, 400 franchises of Hardee's and the Denny's, Quincy's and El Pollo Loco chains, said it plans to pay off the remainder of the bridge loan by Dec. 1, 1990.

TW Holdings Inc., a subsidiary of New York-based Coniston Partners, accrued about $1.7 billion of debt when it acquired TW Services in December 1989.

Shoney's reports third-quarter profit hike

NASHVILLE, Tenn. — Shoney's Inc., the operator and franchisor of about 1,630 family and fast-food restaurants, including the Shoney's, Captain D's and Lee's Famous chains, reported a 55-percent jump in profits, to $9.6 million, for the third quarter ended Aug. 5.

Third-quarter revenues increased 9 percent from the year-ago period, to $228.3 million. Same-store sales increased 3.5 percent during the period, up 0.3 percent in real terms after adjusting for menu price hikes.

Separately, Shoney's said it expected that fourth quarter net earnings would reach 18 cents a share, vs. 12 cents a share last year. The company said it would reduce its debt load by at least $65 million, to about $550 million, by year-end.

Scott's reports sales rise, spending plans

TORONTO — After reporting an 8-percent sales increase, Scott's Hospitality — franchisor of the Manchu Wok chain and a major Kentucky Fried Chicken franchisee — unveiled a $150 million capital spending plan.

For the first quarter, ended July 31, sales rose 8 percent from the volume for the year-ago period, to $240 million, on a net income of $17.6 million. Net income was significantly lower than last year's, owing to higher interest costs and a 1989 gain of $107 million from sales of hotels.

The capital spending program targets hotel construction in the United Kingdom and business upgrades in the United States and Canada. The company started a seven-year renovation plan for its KFC outlets last year, improving 25 units in 1989 and 70 properties this year.

General Mills earnings up 13 percent

MINNEAPOLIS — General Mills Inc., parent company of General Mills Restaurants Inc., owner of Red Lobster and Olive Garden concepts, said that gains in its restaurant and consumer foods divisions drove earnings up 13 percent for the first quarter, ended Aug. 26.

Net income jumped 13 percent, to $130 million, on sales of $1.7 billion, a 16-percent increase from the figure for the year-ago period. The company cited rapid unit expansion, growth in per-store sales and controls on expenses as key factors behind the sales and profit growth.

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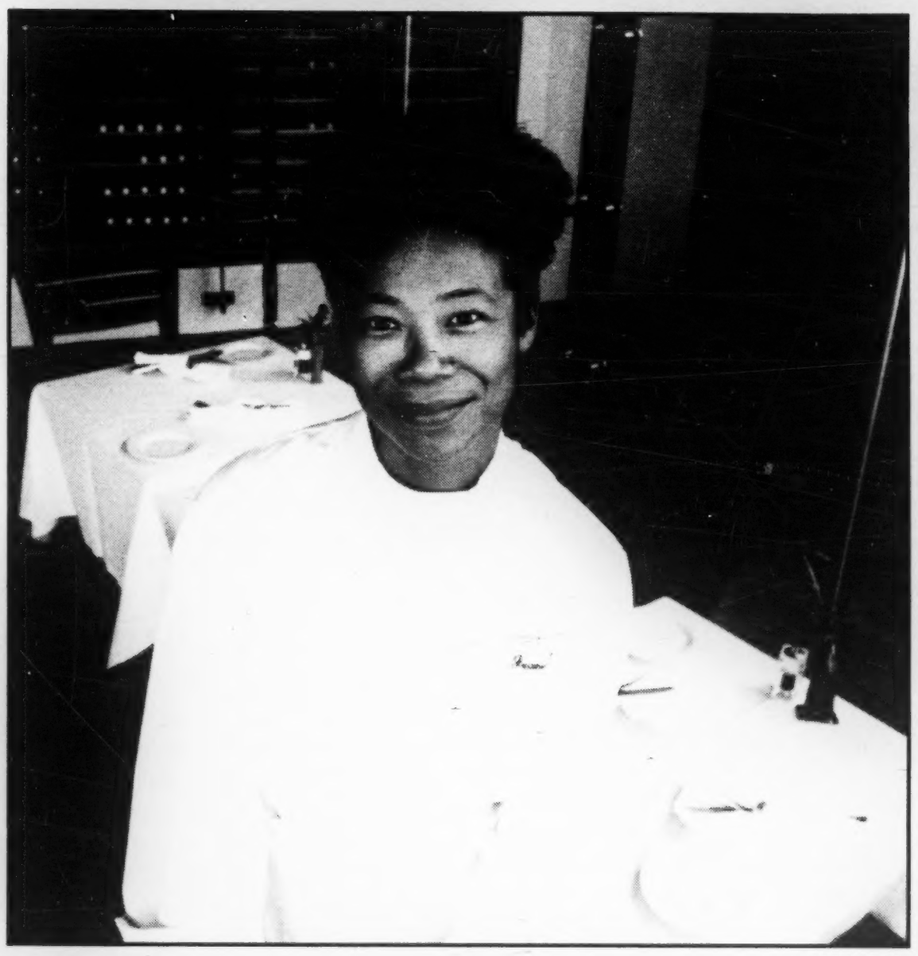
Vol. 24, No. 40 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | October 8, 1990



NRN Photo

Executive chef Jeanette Holley of O'toto in Hollywood.

Eclectic O'toto reflects chef's international roots

Holley mixes cultures at new LA spot

by Richard Martin

LOS ANGELES — O'toto, I don't think we're in Tokyo any more.

And this certainly isn't Kansas — or Seoul, for that matter.

No, this is Melrose Avenue in Hollywood, where the latest phase of chef Jeanette Holley's life-odyssey is unfolding [illegible]d Asian-eclectic restaurant O'toto.

Although O'toto's menu is punctuated with French, Southwestern, Chinese and Mediterranean flavors, Jeanette Holley's Japanese and American signature dishes speak most tellingly of her international upbringing.

Holley, who was born and

(See HOLLEY, page 57)

Government institute: Toughen labeling rules

Researchers advise that restaurants be required to provide detailed reports on ingredients in menu items

by Peter Romeo

WASHINGTON — The National Academy of Sciences has recommended that full-service restaurants be required to provide patrons with a computer analysis of each standard menu item's nutritional content.

The government research institution has also advised that fast-food places be obligated to provide nutritional profiles of their fare either by printing the data on food containers and wrappers or posting the information at the point of purchase.

"Considering the extent to which U.S. consumers are eating meals away from home, the committee believes that more complex nutrient information needs to be available to consumers at the point of purchase," the NAS' Institute of Health stated in a long-awaited report on food labeling. The study was undertaken a year ago at the request of the U.S. Agriculture and Health and Human Services departments, which would enforce any food-labeling law.

The National Restaurant Association blasted the NAS' suggestions as "preposterous" and "unnecessary."

"Our concern is not with providing such information," Michael E. Hurst, the NRA's president and a prominent Florida restaurateur, said in a prepared statement. "Rather, it is with how the information is conveyed."

Under the NSA's proposal, full-service restaurants

(See NSA, page 57)

CEO Tobe exits Jerrico; Clark named successor

by Milford Prewitt

LEXINGTON, Ky. — Longtime Jerrico chief executive John Tobe has suddenly resigned nearly one year to the day after he participated in a $620 million leveraged buyout of the Long John Silver's Seafood chain's parent.

Clinton A. Clark — a Jerrico board member and partner in Castle Harlan, one of two New York investment groups that teamed with Tobe and other senior Jerrico executives to take the company private — has been named to succeed Tobe as president and chief executive.

At the same time, Castle Harlan president Leonard Harlan has been named chairman of Jerrico.

Tobe, who had promised Jerrico's board that he would remain for at least a year following the buyout, resigned on his own volition, Clark said, an action precipitated by the pressures of the president's office.

Tobe

Tobe did not return phone calls.

Clark speculated that

(See TOBE, page 4)

NRA Survey: Minimum-wage hike forcing operators to raise prices

by Bill Carlino

WASHINGTON — Shortly after the national minimum wage increased from $3.35 to $3.80, more than half the food-service operators responding to a National Restaurant Association survey said they hiked menu prices to offset higher labor costs.

Fifty-six percent of the respondents who participated in the industry's first formal poll to gauge the effects of the April 1 minimum-wage hike indicated that they had already raised menu prices, while another 28 percent revealed that they intended to do so.

The results were based on a total of 746 respondents to a May questionnaire distributed by the NRA in states where the minimum wage was below $3.80 before April 1, 1990. According to Bureau of Labor Statistics, 39 states had a minimum wage below the $3.80 level before the increase was mandated.

Another 44 percent of the poll respondents said they had slashed employee hours as a cost-cutting solution, while 25 percent revealed they have reduced the number of shift employees.

However, several operators contacted by Nation's Restaurant News said they weathered the increase without changing their prices or payrolls.

"We can't afford to make price adjustments, like raising menu prices, especially with today's value-conscious consumer," said Bruce Raba, presi-

(See WAGE, page 56)

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 40 October 8, 1990

NEWS BRIEFS

KFC explores sandwich concept

LOUISVILLE, Ky. — Kentucky Fried Chicken has launched KFC Express, a sandwich-only test unit that serves nine varieties of chicken sandwiches.

The prototype outlet recently opened in a Louisville shopping mall, according to company spokesman Dick Detwiler.

The menu includes a grilled chicken breast sandwich, a smoked chicken submarine sandwich made with sliced chicken, a chunky barbecue chicken sandwich, chicken salad in a pita pocket, a hot and spicy chicken sandwich, the Colonel's Chicken Sandwich (fried), a deluxe version of the Colonel's Chicken Sandwich and a 99-cent dark-meat-only value sandwich, he said.

Bresler's to buy Larry's Ice Cream

DES PLAINES, Ill. — Bresler's Ice Cream & Yogurt has signed a letter of intent to acquire most of Larry's Ice Cream in Tampa, Fla.

Bresler's president, David Lasky, said his company, which will purchase virtually all of Larry's assets except the manufacturing facilities and equipment, plans to continue operating Larry's shops under the current franchise agreements, keeping the two companies separate entities.

Larry's franchises 42 shops and owns and operates two units in Florida and South Carolina.

Schupak resigns as Horn & Hardart chief executive

NEW YORK — Donald Schupak, who guided The Horn & Hardart Co.'s exit from the restaurant business over the past two years, has resigned as president and chief executive.

Jack Rosenfeld, chief executive of the Hanover Cos., the direct marketing concern that is now Horn & Hardart's principal business, has been named to succeed Schupak as president and chief executive. Schupak will remain chairman on an interim basis until the transition is complete. He will be a consultant for three years, and he will remain a director.

With the recent sale of the Bojangles' chicken chain, Horn & Hardart's sole remaining restaurant holding is the International King's Table buffet chain. The once-diversified restaurant company has restructured to concentrate on its more profitable mail-order catalog business over the past two years.

Ex-employees sue Cumberland Farms, charge extortion

CANTON, Mass. — Cumberland Farms' secret system for detecting employee theft and its policy of demanding money from workers accused of stealing has sparked a spate of lawsuits against the company, charging extortion, fraud and racketeering.

Cumberland Farms Inc., operator of the 1,100-unit convenience-store chain, allegedly fired 30,900 workers over the course of 13 years after the company installed a secret method for identifying suspected thieves on the payroll.

According to The Philadelphia Inquirer, the company kept a record of each employee ever questioned about theft between 1976 and 1989. One set of records assigned a serial number to identify the accused worker, listed a reason for the questioning and indicated whether the accused paid any money to the company.

Fourteen former employees filed lawsuits in federal district court, claiming the company has a policy of falsely accusing cashiers of stealing and then threatening and coercing them into signing confessions.

Health inspectors temporarily close Moscow Pizza Huts

MOSCOW — Pizza Hut's two new restaurants here were forced to close for a few days after failing health inspections.

The company separately blamed the closings on the politics of currency and a lack of understanding of Western food preparation on the part of Soviet inspectors.

The units — which are operated as part of a joint venture between Pizza Hut parent Pepsico and the Moscow city restaurant department — were cited as being in violation of city rules for not keeping raw, partly cooked and fully cooked food clearly separated. Nor did the restaurants have the large sinks that are required as a backup to dishwashers.

Pizza Hut officials in Moscow insisted that the first unit closed was caught in the middle of a power squabble between the Moscow City Council and the District Council over a question of allowable currencies. The company later added that the inspectors were unfamiliar with automatic dishwashers and other Western methods of preparing food.

Tass, the official Soviet news agency, jumped on the report, stating, "The Soviet-American joint venture opened in the capital with pomp, all sparkling and glistening, and the pizza itself with all its spices is said to be wonderful.

"But let us drop in the kitchen, as did the Moscow sanitary inspectors, and their eyes were caught by dirty onions, cabbage and carrots. We saw many violations of norms in the Pizza Huts."

Levy Restaurants shutters Eurasia in Chicago

CHICAGO — The Levy Restaurant Group has closed Eurasia, its artfully designed 2-and-one-half-year-old experiment in East-West fusion cuisine.

Managing Partner Arun Sampanthavivat blamed the restaurant's demise on a poor location, hidden from traffic. "People always ask directions," he noted. This is the second restaurant the Levys have closed this year in the North Michigan Avenue area. The first was Hopper's Dining Car, located in the basement of the Bloomingdale's shopping mall.

The owners plan to continue to offer some of Eurasia's most popular items for delivery through the Levys' Chef's Express delivery service. Sampanthavivat continues to operate his own gourmet Thai restaurant, Arun's.

McDonald's slates 200-unit test of recycled bags

NEW YORK — McDonald's said that next month it would launch a 200-unit test of take-out bags made with recycled newsprint here.

The move is part of McDonald's strategy to create a market for recycled products — and gain some positive publicity in the process. In April the burger giant announced with great fanfare that it was earmarking more than $100 million for the purchase of supplies made from discarded materials that would otherwise contribute to the nation's garbage glut.

With 11,300 restaurants, McDonald's claims that it is the world's largest purchasers of recycled paper goods.

San Francisco suburb says no to downtown Domino's unit

LAFAYETTE CITY, Calif. — The city council of this San Francisco suburb has refused to grant a Domino's franchisee a business license under the grounds that the chain's 30-minute delivery guarantee is a safety hazard.

The denial comes after the chain spent millions of dollars over the past year on promoting its safe-driver program as a way of quelling the adverse publicity stemming from a string of fatal accidents nationwide involving Domino drivers.

Domino franchisee Dan Gearing was seeking a license to open a unit in downtown Lafayette City, within 100 feet of two nursery schools, a senior citizens complex and a church.

A Domino's spokesman said the incident is the first time in the chain's history that a franchisee has been denied a business license because of a safety issue.

But all is not lost. The council told Gearing that he could still get a business license in one of two ways: either open on the outskirts of town or eliminate the 30-minute delivery guarantee to win a downtown location.

FINANCIAL NEWS

Profit plunge, credit crunch prompt Marriott cost cutting

by Peter O. Keegan

WASHINGTON — Faced with sluggish occupancy rates, a stagnant real-estate market and a shaky economy, Marriott Corp. is tightening its belt to conserve cash and reduce debt.

Marriott cutbacks came just days before it posted a 57-percent decline in earnings, to $27 million, on a 2-percent decrease in sales, to $1.66 billion.

Last year's third-quarter net income of $63 million included $11 million from since-discontinued restaurant operations.

"As a result of a soft market, we are delaying hotel construction starts and reducing capital expenditures," said Terry Souers, vice president of corporate information. The company's contract services division will not be affected by the decision. "It's not a big capital user."

The hospitality giant will delay construction starts on most new hotels and senior living service units for 12 to 18 months. Projects that are already under way — most of which will be completed by 1991 — will not be affected.

"There is an oversupply in the hotel business, and the economy is not strong," Souers pointed out. "The actions we are taking will give us the [financial] flexibility that we need."

Marriott also said that it would slash 1991 capital expenditures in half, to $650 million, and plans to shore up its balance sheet by selling more than $700 million in assets before the end of the year. Marriott's debt-to-equity ratio is 5:1.

Souers said that Marriott is in "active negotiations" to sell its family restaurant group, which includes Bob's Big Boy, Wag's, Howard Johnson's, Allie's and Bickford's.

Steven Rockwell, an analyst with Alex. Brown & Sons, predicted selling off part of the restaurant group — which is worth from $150 million to $200 million — would bring in

(See MARRIOTT, page 56)

Major debt rating agencies take hard look at Marriott

Following Marriott's disclosure that it will postpone new project starts and trim expenditures following disappointing earnings results, two major debt rating agencies placed Marriott's senior long-term debts on a "credit watch" for possible downgrades.

Standard & Poor's placed certain single A-minus-rated long-term debt on "credit watch" with negative implications, affecting $1.4 billion of long-term securities

"Financial markets have recently become concerned over the firm's ability to continue its asset sales program," indicated Standard & Poor's. "Marriott's continued access to capital is a key part of its business strategy."

In addition, Moody's investor service said it is reviewing Marriott's long-term debt ratings for a possible downgrade.

Moody's explained that its review was prompted by its "recognition of potential deterioration of earnings and cash flow from Marriott's lodging and contract services businesses, which could result in reduced debt-protection measurements over the intermediate term."

In response to Standard & Poor's decision, Marriott chief financial officer William J. Shaw stated, "We have financial flexibility as well as a strong, stable cash flow."

In a prepared statement, he went on to say, "We have already sold approximately $900 million in assets in 1990 and expect to sell over $700 million in additional assets in the next few months."

Shaw added that contract services — which contribute nearly 50 percent of Marriott's sales and cash flow — are not affected by the hard times afflicting the lodging industry. He also noted that Marriott would meet with S & P to "help alleviate their concerns" regarding the Marriott's financial state of affairs.

Steven Rockwell, an analyst with Alex. Brown & Co., projected that in a worst-case scenario of no cash flow, "revenue-based fees and franchise fees would be enough for debt service."

Moody's called the company's asset sale program "a key part of its ability to repay temporary construction funding for development projects."

—P.O.K.

FOOD PRICE OUTLOOK

More beef, pork possible by year's end

by Patt Patterson

Supplies of **beef** and **pork** may grow more plentiful by the end of the year, according to surveys done by the U.S. Department of Agriculture. Downward trends in both cattle and hog production may be nearly over.

In a recent count the U.S.D.A. found there was 5 percent more cattle on feedlots than there had been last year at this time. And placements in August were up 6 percent from the year-ago figure. That is believed to mean that cattle herd buildup is well along, so ranchers can start sending more young animals to market. For a good part of last year and most of this one, the flow of cattle to feedlots was well down from the rate last year. That pattern seems to be changing. If there are ample supplies, prices should move downward.

The higher hog prices over the spring and summer have farmers changing their minds about hog production. The continued low cost of feed grains plus the strong prices for the past two quarters seem to have led many farmers to aim at increasing production.

Everyone is watching **grain** prices. Both **corn** and **soybeans** are not as far along in maturing as they normally are at this time of year.

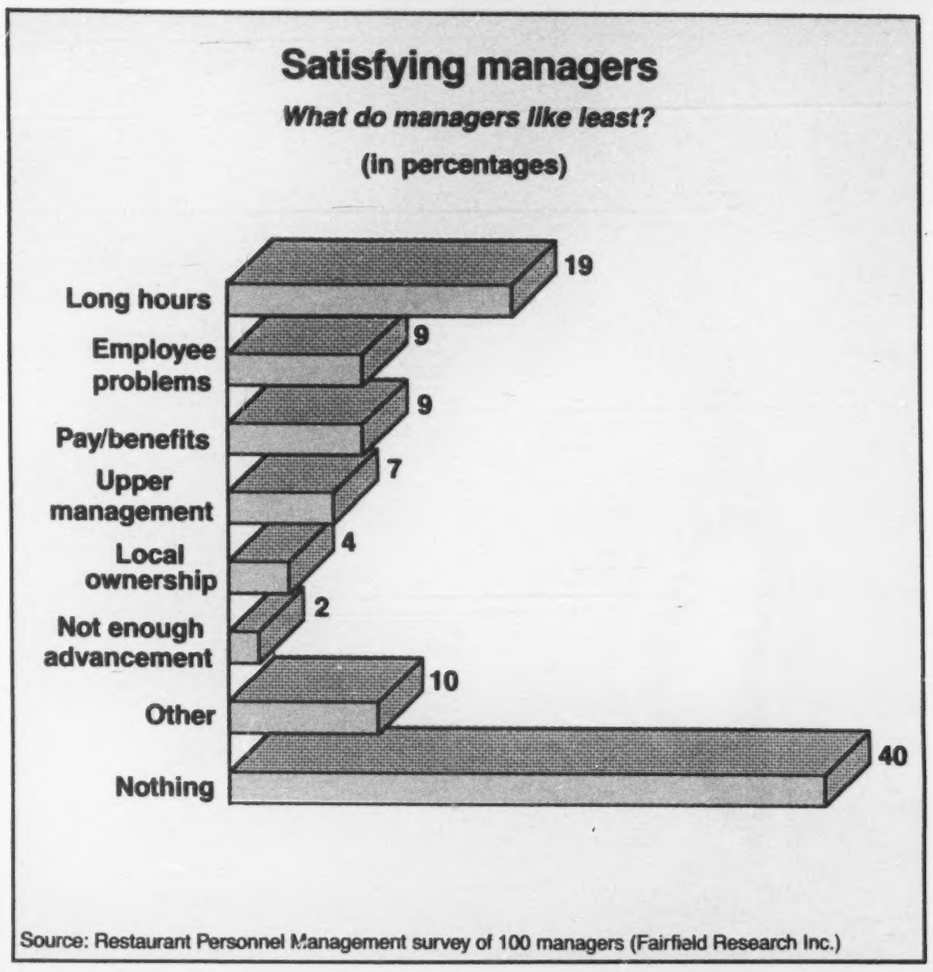
At a time when soybeans should be more than two-thirds mature, this year they aren't even one-third of the way. Corn, although not quite as badly behind schedule, is still running late. One big worry is that a killer frost could hit the plants early this year. Predictions are for a long and cold winter, according to the Old Farmer's Almanac, and several major long-range weather forecasters.

Prices should drift down on canned California **cling peaches.** This year's pack was up about 5 percent over 1989's, and there's a pretty good carryover from last year.

Northwest **canned pears** are also estimated as up about 5 percent, and prices should also drop a bit, although the carryover isn't as heavy as for cling peaches.

Canned pineapple supplies seem adequate, and manufacturers are running deals through the end of the month.

FACT FILE



Source: Restaurant Personnel Management survey of 100 managers (Fairfield Research Inc.)

FINANCIAL DIGEST

Furr's-Bishop's seeks to reincorporate

LUBBOCK, Texas — Furr's-Bishop's Cafeterias, which converted to a limited partnership several years ago for tax advantages, is seeking to return to a corporate structure.

Cavalcade & Co., the cafeteria chain's general partner, has proposed to the 20,000 limited partners a plan to exchange each of their units for 75 cents in cash, one-quarter of a share of a common stock in the new company and six-tenths of a share of $9 convertible preferred stock.

After the plan was proposed, the units dropped to a new 52-week low of $3.75 each, from about $5.50 before the proposal.

Trading in the units became hectic after the company said it would withhold a dividend until the conversion was completed. The firm later clarified the maneuver by emphasizing that the plan called for a delayed, not a skipped, payment.

Max & Erma's revenues rise 27 percent

COLUMBUS, Ohio — Despite a 27-percent increase in revenues, to $7.2 million, Max & Erma's Restaurants Inc. said third-quarter net income was off 10 percent, to $289,000, because of an extraordinary tax benefit that added $109,000 to year-ago earnings.

Before the prior-year credit, which was related to a net operating loss carryforward, income was up 37 percent for the quarter.

The 17-unit casual dinner-house operator attributed the revenue hike to increased customer counts in existing restaurants and the opening of three new units.

For the 40 weeks ended Aug. 5, net income fell 26 percent, to $710 million, while revenues rose 23 percent, to $22.9 million. During the same period last year, the company's net income was aided by a $327,000 tax benefit.

Economic conditions quash Swissôtel deal

ZURICH, Switzerland — Citing unsettled world financial market conditions, Swissair said it had agreed with Japan's Aoki Corp. to scrap their agreement for the sale of Swissôtel.

Under a deal announced in March, Aoki, which already operates 67 Westin hotels and nine Caesar Park properties, was to buy the 17-unit Swissôtel system from Swissair.

Karcher net income jumps 8% in 2nd qtr.

ANAHEIM, Calif. — Carl Karcher Enterprises, operator of the 554-unit Carl's Jr. hamburger chain, reported an 8-percent increase in second-quarter net income, to $5.1 million, on a faint 2-percent jump in revenues, to $125 million.

The improvement came as the company worked to sell or franchise all of the 40 restaurants it operates in its troubled Arizona markets.

During the six months ended Aug. 13, net income declined about one-half of 1 percent, to $10.3 million, while revenues rose 4 percent, to $282.1 million.

"Results for the quarter are encouraging, considering the heavy competitive discounting in the quick-service restaurant sector," Donald F. Karcher, president and chief operating officer, said in a statement.

Carl's Jr. has been pulling out of Arizona as part of an overall plan to concentrate on its core California markets.

NEWS

Wage hike prompts rise in menu prices

(Continued from page 1)
dent of Scott's Food Services Inc., a 185-unit Kentucky Fried Chicken franchisee based in Austin, Texas. "The solution is to get better efficiency and productivity from your present workers. But when it goes up next year, it should be very interesting."

Raba was referring to April 1, 1991, when the minimum wage will increase an additional 12 percent, to $4.25 per hour.

Industry analysts pointed out that many foodservice operations were already paying higher than the $3.80 minimum wage, and that the actual backlash to the wage increase has almost been anticlimactic compared with the industry's vehement lobbying against the increase.

"So far, the minimum wage has really been a nonevent," said Joseph Doyle, who tracks the foodservice industry for the New York firm of Smith Barney. "I haven't heard many of the top operators really complaining."

Said one fast-food operator whose crew averages more than$5 an hour: "The increase is no big deal. If you're foolish enough to pay peanuts to begin with, then don't complain when you get monkeys."

Operators' reaction as a result of minimum-wage increase
(in percentages)

	Yes (have done)	Yes (plan to do)	No	No Answer
Increase menu prices	56%	28%	14%	2%
Reduce number of employee hours worked	44	18	28	10
Reduce number of employees	25	17	41	17
Add labor-saving equipment	12	26	38	24
Cut hours of operation	8	7	59	26
Cut employee benefits	14	14	49	23

Source: National Restaurant Association, 1990 minimum-wage survey. Based on 746 respondents where the minimum wage was not $3.80 or higher before April 1, 1990.

"What you might get as a result of the increase is a ripple effect," opined Jim Parish, chief financial officer for Dallas-based Chili's Inc., operator of about 200 casual-themed dinner houses. "If a busboy or dishwasher making $3.35 per hour suddenly jumps to $3.80, a bartender or line cook may say, 'Hey, he just got a raise; I feel I deserve an increase, too.'"

Parish added that restaurant suppliers and distributors who also have to abide by the increased wage levels may eventually pass the cost on to customers. He said that although Chili's raised its menu prices in April, the increase was just 2 percent.

In the most recent gauge of menu price inflation, the U.S. Labor Department's Consumer Price Index for August showed a 4.8-percent increase in menu prices from the figure for the year-ago month.

Carl Chandler, chief financial officer for RPM Pizza Inc., a 370-unit Domino's franchisee in Gulfport, Miss., said the wage increase affected about 140 stores scattered throughout the Gulf states.

"We did raise the wages down in that segment," Chandler said. "But, fortunately, we were running a takeout promotion in those units at the same time. It worked so well that we experienced double-digit sales increases, which canceled out the increased salaries."

Economist Marco Babic of Evans Economics, a Washington, D.C.-based firm, said the combination of inflation and the backlash from the Iraqi situation could impact menu prices to a greater degree than the wage increase.

"A substantial increase in energy prices would probably affect restaurants a lot more than paying employees another 45 cents an hour more," Babic explained. "But what may happen as a result of the wage increase is a drop-off in seasonal and holiday hiring, especially in fast food."

Roy Nassau, director of food and beverage for the Orlando World Marriott Hotel, a 1,500-room property in Orlando, Fla., indicated that the hotel recently held a pricing strategy for 1991 and that, in essence, no menu price increases are planned. In fact, Nassau said there may be isolated instances where menu prices would actually decrease.

"We're in a service industry," he added. "And reducing your staff numbers or employee hours is not the way to maintain a quality service level."

Marriott cuts costs due to profit plunge, credit crunch

(Continued from page 14)
$50 million this year.

An additional $300 million will come from the pending sale of the San Francisco Marriott to an unnamed buyer. The hotel, which opened the day of the San Francisco earthquake, is a 1,500-room, 39-story building located in the South of Market area. Rockwell said that the rest of the money will come from two partnerships in Japan.

Fears in the lodging industry are running high after a year of flat occupancy rates — which has kept room rates from going up — weak real-estate markets across the country; an unstable banking market and subsequent "credit crunch"; worries that an impending recession, a result of skyrocketing oil prices, will keep consumers from traveling; and the recent Chapter 11 credit protection filing by Prime Motor Inns.

The weak real-estate market, rise in oil prices, unstable banking market and subsequent credit crunch have caused flat occupancy rates, and the lodging industry fears that an impending recession may keep consumers from traveling in the future.

> "Marriott is borrowing and building more carefully."
> — Mueller

The recent Chapter 11 protection filing by Prime Motor Inns, a Fairfield, N.J., company, which franchised such lodging chains as Ramada Inns, Rodeway Inns and Howard Johnson, also has operators worried.

"Marriott is borrowing and building more carefully," said Mike Mueller, an analyst at Montgomery Securities in San Francisco. "They used to build with their own money and then tried to sell the properties."

In a prepared statement, chief financial officer William Shaw said that Marriott would be prefinancing development projects with third parties, franchising or entering in joint ventures, instead of securing capital on their own.

"We believe that the market is cyclical," Souers said. "And we want to be ready to move when the cycle returns."

When asked about chairman J.W. Marriott Jr.'s goal of Marriott's doubling its amount of hotels to 1,000 by the mid-1990s (it currently has 613), Souers replied, "We'll have to see."

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Nation's Restaurant News®

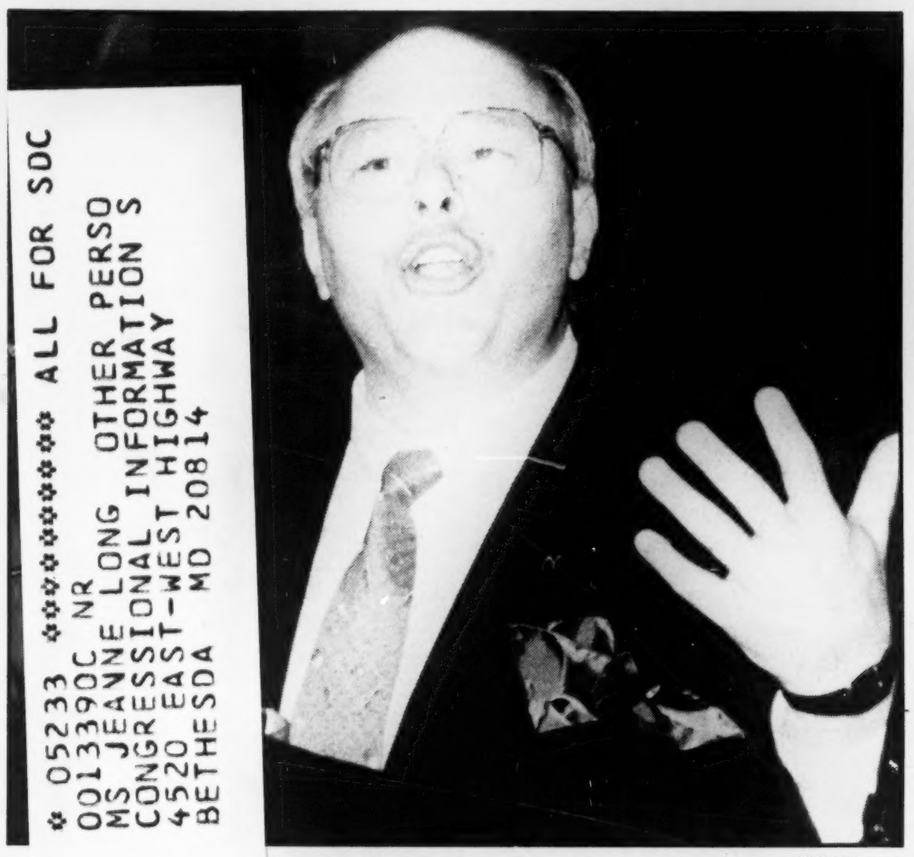
THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 41 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | October 15, 1990

MUFSO: Strategies for change

Top execs grapple with rapid-fire consumer shifts, looming economic slowdown



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NRN Photos

Rensi blasts industry critics.

by Paul Frumkin

LOS ANGELES — An all-star team of foodservice executives meeting at Nation's Restaurant News' 31st annual Multi-Unit Food Service Operators conference sketched out a new set of blueprints that will enable management to face accelerating consumer changes.

At the same time, the executives warned that current margin contractions are bound to continue into the early part of the decade as the economy slides into an almost certain recession.

And, in one of the most talked-about keynote addresses of the four-day conference, Edward Rensi, president and chief operating officer of the Oak Brook, Ill.-based McDonald's USA, called for a vigorous counteroffensive from the industry against what he characterized as environmental and nutritional fanatics.

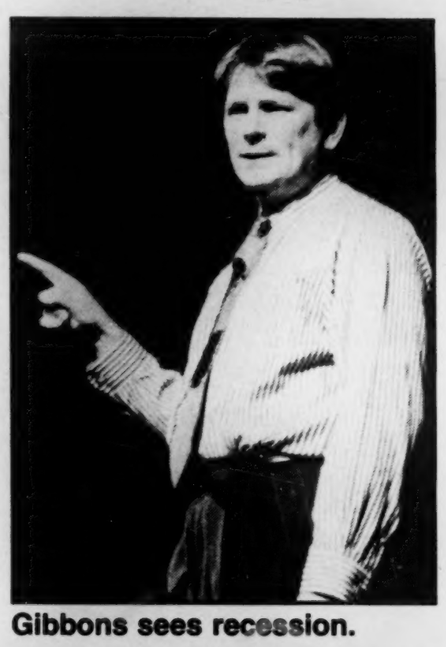
"We have to draw the line somewhere," Rensi declared to his audience of 1,000 foodservice executives. "We cannot allow ourselves to be held hostage by self-appointed saviors who are just trying to scare the American public. Whenever we're silent, we aid their cause."

But most of the voices raised at this year's MUFSO centered on concerns about an economy apparently headed for recession and a consumer market that is becoming increasingly finicky.

"There's a head wind springing up in the 1990s," Miami-based Burger King chief executive Barry Gibbons told the crowd. "I'm not hearing any more debates about whether we are going to have a recession. I'm only hearing debates about the depth of the recession."

Norman Brinker, chief executive of the Dallas-based Chili's, agreed, saying: "We're either in a recession or about to be in one. We're going to be seeing some margin problems."

(See MUFSO, page 7)



Gibbons sees recession.

Farquharson named Operator of the Year

by Alan Liddle

LOS ANGELES — John R. Farquharson of ARA Services, who successfully led his divisional "army" through the mine field of financial constraints after a management buyout in 1984, was named 1990 Operator of the Year.

Farquharson is president of Philadelphia-based ARA Services Inc.'s ARASERVE contract foodservice division, which generates annual revenues of more than $2 billion. He was named Operator of the Year at a banquet held in conjunction with Nation's Restaurant News' Multi-Unit Food Service Operators conference at the Century Plaza Hotel.

The Operator of the Year is named from six Golden Chain award recipients selected by Nation's Restaurant News.

The other Golden Chain winners were Charles "Don" Clawson, vice president of food and beverage, Radisson Hotels International, Minnetonka, Minn.; Thomas Gregory, president and chief executive officer, Sizzler Restaurants International Inc., Los Angeles; John E. Martin, president and chief executive officer, Taco Bell Corp.; Steve Nygren, president, Peasant Restaurants Inc., Atlanta; and William Prather, president and chief executive, Hardee's Food Systems Inc., Rocky Mount, N.C.

In bestowing the award, James C. Doherty, Nation's Restaurant News publisher, said of Farquharson: "He truly

(See FARQUHARSON, page 45)

Farquharson in the spotlight.

Farquharson for fun

Page 45

Little Caesars wins big at EAT/EAR awards

by Peter Romeo

LOS ANGELES — Little Caesars executives toted home a trophy-caseful of prizes from the foodservice advertising contest that culminated in an awards ceremony during the Multi-Unit Food Service Operators Conference here.

Other winners of 1990 EAT (Excellence in Advertising on Television) and EAR (Excellence in Advertising on Radio) awards included Carl's Jr., Taco Bell, El Chico, El Pollo Loco and Stuart Ander-

(See EAT/EAR, page 4)

Lt. Gov. McCarthy, right, presents Pioneer of the Year Award to California Restaurant Association president Burke.

INSIDE

New incentives to spur employees
Charles Bernstein/Page 21

Vintage years lie ahead for selling more wine
Focus/Page 25

Calif. named Pioneer for trendsetting style

by Richard Martin

LOS ANGELES — California, whose restaurateurs are globally recognized for their innovations and creativity, was named Pioneer of the Year at Nation's Restaurant News' 31st annual Multi-Unit Food Service Operators conference here.

The first institution or organization to win the prestigious award, California joins the ranks of such past Pioneer honorees as Col. Harland Sanders, the first to be desig-

(See CALIFORNIA, page 4)

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Subscription rate: Food-service operators and wholesalers/distributors, one year $34.50; 2 years $55.00; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 41 October 15, 1990

NEWS BRIEFS

Congress limits kids' TV advertising

WASHINGTON — In a move that could raise restaurant chains' advertising costs, Congress has approved legislation that reduces the amount of advertising permitted to air during children's programs.

The House recently joined the Senate in capping the amount of ad time at 10.5 minutes per hour on weekends, when most children's programming is shown, and 12 minutes on weekdays. At present, 11 to 14 minutes of advertising is usually aired during an hour-long show aimed at children.

Opponents have voiced fears that the curtailment of advertising time on kids' shows will raise the price of what time is still allowed.

Food poisoning spurs probe, lawsuits

CHICAGO — The Chicago and the Illinois departments of public health are investigating the origin of salmonella enteritidis that caused food poisoning symptoms in some 350 conventioneers attending a True Value Hardware Store buying session that included banquet meals.

Some of the victims have filed a class-action lawsuit against Hyatt, seeking damages of $15,000 on behalf of TrueValue employees. The Hyatt banquet served 1,900 diners, of which an estimated 350 reported suffering fever, nausea and diarrhea.

The foods were prepared in the kitchens of the Hyatt Regency Chicago Hotel; Restauronics, a West Side caterer subcontracted by Hyatt; and Cotter & Co., True Value's headquarters. The Chicago Health Department has found no non-compliance with health regulations in any of the above kitchens, according to spokesman Michael McCarthy.

Hyatt voluntarily suspended, with pay, 39 workers who helped prepare or serve the dinner suspected of causing the problems until investigators trace the origin of the salmonella. The type of salmonella identified is commonly found in raw eggs and chicken, both of which were used in the Hyatt dinner.

Hardee's mulls offers for Atlanta units

ROCKY MOUNT, N.C. — Hardee's Food Systems is mulling unsolicited offers for most of the 80 restaurants it owns and operates in the Atlanta metropolitan area.

Three different parties that were interested in acquiring the units approached the nation's third-largest hamburger chain, but it isn't close to striking a deal, according to public affairs vice president John Merritt. The restaurants represent about one-half of the company stores operated out of Hardee's Atlanta regional office, which oversees about 650 company and franchise outlets in the Southeast.

Merritt said it was "much too premature" to discuss any realignment of Hardee's seven regional offices if any company stores were to be sold, but he noted the company is actively seeking to increase franchising in the region. He added that the acquisition of Roy Rogers earlier this year left Hardee's with a higher ratio of company to franchised stores than it usually maintains.

Pizza Uno Momento owners overhaul

ARLINGTON HEIGHTS, Ill. — Pizza Concepts Inc., which was one of the latest companies to offer no-wait, one-minute pizza when it launched Pizza Uno Momento in a local mall a few months ago, has overhauled the concept and changed the name to This is it! Pizza.

But some of the events surrounding the name change are in dispute.

Ed Buice, general counsel at Pizzeria Uno, the nationwide pizzeria chain based in West Roxbury, Mass., said Pizza Concepts changed the name "as a direct result of our challenge" of the use of the Pizza Uno Momento name as a trademark infringement.

But Frank Bloom, Pizza Concepts executive vice president, denied the link and said the new name was part of a concept overhaul that scrapped the system of serving prebaked pizzas in one minute for a more conventional system of scratch-made pizzas served in seven to eight minutes.

"Now we do it from scratch, and it tastes better," he said.

Little Caesars promotes seasoned pizza crust

DETROIT — Little Caesars is offering four seasoned pizza crusts as a limited promotion.

The crusts are an option with the order of two medium pizzas with eight toppings for $8.88. Flavors are sesame seed, poppy seed, garlic butter and Parmesan cheese. The crusts may be ordered with any combination of the four ingredient additions.

The company said it has not decided whether any of the crusts will be added to the regular menu after the promotion is concluded.

Holiday Inns unveils express concept

MEMPHIS — Holiday Inn Worldwide has launched Holiday Inn Express, a no-frills upper-economy concept focusing on rapid check-in and checkout.

Separately, the company has laid off 40 employees from its Memphis administrative offices as part of a restructuring to decentralize some operations. The company employs about 2,000 people in Memphis, said spokeswoman Dorothy Hayes.

Holiday Inn Express hotels offer stand-alone breakfast and standard rooms but do not include restaurants, lounges or room service. "It is basically a streamlined version of a Holiday Inn," Hayes said.

Beginning single-occupancy room rates for Holiday Inn Express range from $45 per night at Abilene, Texas, to $65 per night in Poughkeepsie, N.Y. The company's third express hotel is in Nashville, Tenn.

Industry fights to renew TJTC

by Peter Romeo

WASHINGTON — Foodservice lobbyists have plunged into the melee on Capitol Hill in an attempt to tack a renewal of the Targeted Jobs Tax Credit onto any budget agreement that emerges.

The industry's forces are also combatting proposals to increase the excise taxes on beer, wine and spirits.

Although the industry expected a rise in federal alcohol taxes, Congress' apathy about maintaining the TJTC was "somewhat of a surprise because it's a popular program," said Ann Curtis, a National Restaurant Association spokeswoman.

The TJTC provided employers with a sizable tax write-off as a reward for hiring disadvantaged workers, including the disabled. Businesses were permitted to deduct 40 percent of the first $6,000 of a qualifying employee's wages.

The TJTC expired on Sept. 30. An extension was not included in the budget agreement that was hammered out by congressional leaders and the White House.

That proposal was subsequently killed by the House of Representatives, forcing lawmakers to reconsider alternatives. The turn of events gave lobbyists another opportunity to convince lawmakers to reinstate the credit.

If the TJTC is not reinstated, "it'll cost us $1 million," Norman Brinker, chairman of Chili's, noted during the Multi-Unit Food Service Operators Conference in Los Angeles.

Hardee's president William Prather indicated that failure to renew the tax break would cost his chain $3 million.

The budget proposal that emerged from the White House-Congress summit called for a $2.64 increase in the taxes on a case of wine, $3.60 on a case of liquor and 64 cents on a case of beer.

FINANCIAL NEWS

Soft family division lowers Morrison's 1st qtr. profits

by Bill Carlino

MOBILE, Ala. — Bruised by heavy discounting to stem customer erosion in its family dining division, Morrison Inc. reported a 19-percent dip in net income, to $5 million, for the first quarter ended Sept. 1.

However, a 30-percent increase in sales from its specialty-restaurant division boosted first-quarter revenues 9 percent from the figure for the year-ago period, to $227 million.

The first-quarter results mirrored the cafeteria and casual restaurant operator's performance during fiscal 1990.

For the year ended June 2, Morrison's net income plunged 28 percent, to $23 million. A year-long downturn in sales at the company's cafeterias caused a 1-percent slide in the family dining division, with revenues off 1 percent, to $312.3 million.

However, buoyed by a 28-percent leap in specialty-restaurant division revenues, to $216 million, and an 8-percent uptick in revenues, to $372 million, from its non-commercial feeding arm, Morrison's Custom Management, the company's revenues rose 9 percent, to $900.4 million.

Morrison attributed the profit declines to lower cafeteria customer counts and expenses for employee fringe benefits, workers compensation and lower-than-expected proceeds from the sale of real estate and assets for previously shuttered units.

The company also incurred a $4 million charge against operations for a reacquisition of the Admiral Benbow Inn in Tampa, Fla.

In an attempt to end the year-long customer drought in its cafeterias, Morrison began a flurry of promotional activity about eight months ago, including discounting, coupoing and new and repeat customer programs.

MORRISON

> "Cafeteria competition, especially in the South is very tough." — Stouffer

Analysts said the promotional frenzy weighed heavily in the family division's margin tailspin. Cafeteria margins, which were running at 8.4 percent as recently as May 1989, are currently somewhat more than 4 percent.

In a first-quarter divisional breakdown, net income for the family segment, which consists of about 175 cafeterias scattered throughout the Southeast, dropped 24 percent, to $3.2 million, on flat revenues of $78 million.

Yet, buoyed by the opening-quarter sales upticks in its specialty restaurants — which include L & N Seafood Grill, Ruby Tuesday and L & N Seafood — and small increases in cafeteria store volumes during the past three months, Morrison remains optimistic about its ability to rebound.

"I feel we're beginning to see some positive changes with our cafeterias," said Richard McGeoch, a ranking spokesman for Morrison. "We've seen an increase in customer levels, and we're starting to back off the heavy promotions because that detracts from the bottom line."

During June, July and August, customer levels in the family-dining division increased 1.2 percent, 2.2 percent and 4.7 percent, respectively.

To broaden its appeal, the division also rolled out a pair of new dinner salads, chicken and seafood, each retailing for about $3.29.

Industry analysts said segment competition and the proliferation of food bars in family restaurants has hurt traffic at Morrison's cafeterias.

"Cafeteria competition, especially in the South, is very tough," explained Barry Stouffer, who tracks Morrison's for Nashville, Tenn.-based J.C. Bradford & Co. "In Florida, where the company has about one-third of its cafeterias, it has lost a lot of business to buffet operations, while most regional midscale steak houses like Ryan's feature all-you-can-eat bars."

"[Morrison's] earnings have been disappointing because of lower operating income in the cafeterias," said James Ruf, an analyst with Wertheim Schroder, New York. "It's a very tough segment."

McGeoch noted that during the first quarter, specialty restaurant results were boosted by the addition of nine new restaurants to the system — seven units of Ruby Tuesday and two L & N Seafood restaurants. He said the company plans to open 44 specialty restaurants during fiscal 1991.

FOOD PRICE OUTLOOK

Peanut crop estimates lowered

by Patt Patterson

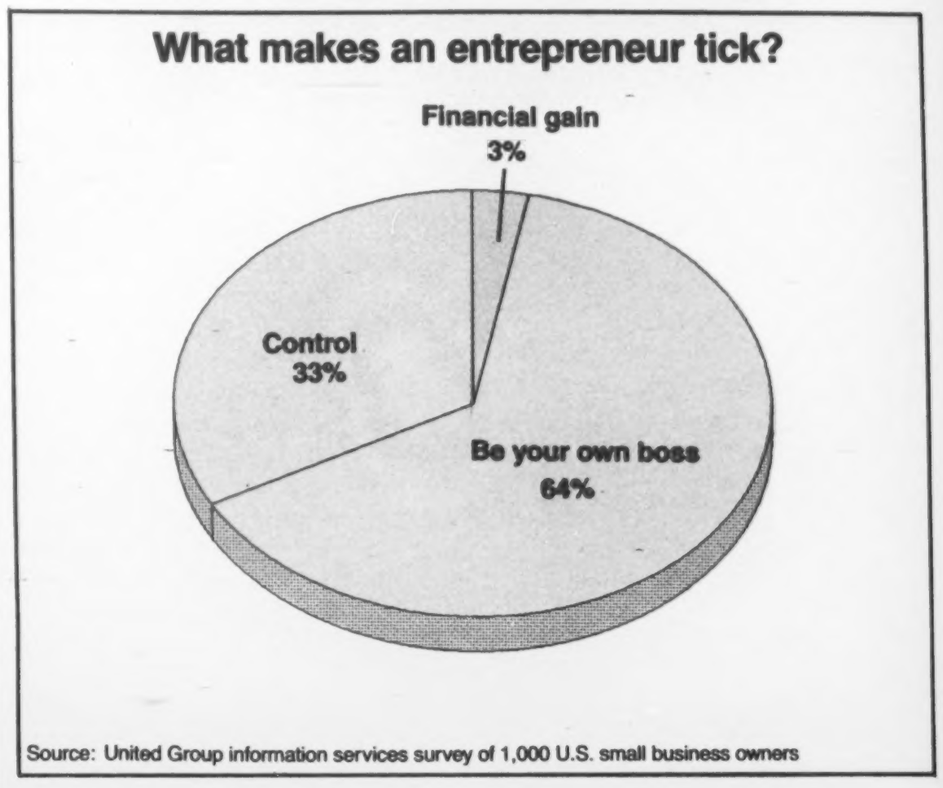
If you use **peanuts** at your bar, you're going to find prices moving up rapidly. Some processors already are quoting prices as much as 50 percent higher than last year's. The Southeastern peanut crop has been hit by hot, dry weather and lots of insects. The U.S. Department of Agriculture is forecasting production at about 3.5 billion pounds, the lowest crop estimate since 1980, when a severe drought reduced the crop to 2.3 billion pounds. Back then the federal government lifted import restriction to make up the shortfall in part. One difference this year is that carryover stocks seem higher than back then.

Dried bean production, on the other hand, is up about 30 percent from the figure for last year, and prices on some varieties have already fallen as much as 40 percent. To put a further push on prices, Mexico buyers are said to be canceling orders already placed, because that country had a good crop this year, too. **Pinto beans,** which had been in the $30s last year, are already down to the $18 or $19 range.

Both imported and domestic **canned hams** are still moving up in price. Poland, last year's leader in imported hams, has just boosted prices again on smaller shipments. Denmark, formerly a close No. 2, has now taken over the leadership, with more than twice the number of tons of ham shipped here this year compared with the amount for Poland. A number of other countries outside Eastern Europe are boosting their exports to us, but overall through July there were about 11 percent less hams imported than in 1989.

Although **Brazilian lobster tails** are still priced well below cold-water tails, the price is rising, with hikes of 15 cents a pound posted. The **canned pink salmon** pack is far better than earlier forecast. Prices should move downward on larger stocks than have been anticipated. **Chum,** on the other hand, is in shorter supply than normal, with prices firming.

FACT FILE



Source: United Group information services survey of 1,000 U.S. small business owners

FINANCIAL DIGEST

Southland to divest property holdings

DALLAS — Southland Corp., operator and franchisor of the 7-Eleven convenience store chain, says it will sell 140 acres of land located near its headquarters here.

In a filing with the Securities and Exchange Commission, Southland reportedly intends to receive nearly $20 million for the acreage. Southland acquired the property in the early 1980s with the intention of utilizing the parcel as a development space for apartment buildings, retail shops and office buildings.

Two Pesos projects earnings increase

HOUSTON — Two Pesos Inc., operator of 24 quick-service Mexican restaurants, expects profits for the second quarter, ended Sept. 30, to be about $600,000, or seven cents a share on sales of $9.6 million, compared with a loss of $653,000 on sales of $11.1 million for the year-ago period.

Company officials attributed the profits increase to shuttering four underperforming units, a $660,000 write-down on assets taken during the second period last year and the renegotiation of supplier and purchasing contracts.

Trump steals Bollenbach from Promus

NEW YORK — The Trump Organization, owner of Trump Plaza Casino, Trump Castle and the Taj Mahal in Atlantic City, has named Stephen F. Bollenbach chief financial officer.

Before assuming his new position, Bollenbach was senior vice president and chief financial officer of The Promus Cos. Inc., a hotel conglomerate that owns and operates Harrah's casino and hotels, Embassy Suites, Hampton Inns and Homewood Suites.

Promus has named Charles A. Ledsinger Jr. former vice president and treasurer of the Memphis, Tenn.-based hospitality concern, replacing Bollenbach as senior vice president and chief financial officer. Ledsinger retains his treasurer responsibilities in his new position.

Added units hike Cucos' year-end profits

NEW ORLEANS — Cucos Inc. said fourth-quarter net income increased 16 percent, to $15,551 million, on a 19-percent hike in revenues, to $3 million.

Citing the addition of seven restaurants to the system during fiscal 1990, Cucos Inc. said revenues for the year ended July 1 were up 8 percent, to $13.6 million, while net income jumped 27 percent, to $180,383.

The company, which operates and franchises 30 Sonoran-style Mexican restaurants in the Southeast, said comparable restaurant sales rose 3.6 percent during the year, vs. a 3.2-percent same-store sales increase in the prior year.

Chili's net income jumps 36% for year

DALLAS — Chili's Inc., operator of Chili's, Regas Grill and Romano's Macaroni Grill, reported a 36-percent rise in net income, to $18.9 million, for the fiscal year ended June 30.

Revenues for the year were up 21 percent, to $347.1 million.

For the fourth quarter, profits rose 18 percent, to $5.6 million, from the year-ago period, on a 22-percent jump in revenues, to $95.7 million.

Results for the fourth quarter and year were restated to reflect the acquisition of Regas Grill, which is the new operating name of restaurants developed by Grady's Inc. and Romano's Macaroni Grill Inc.

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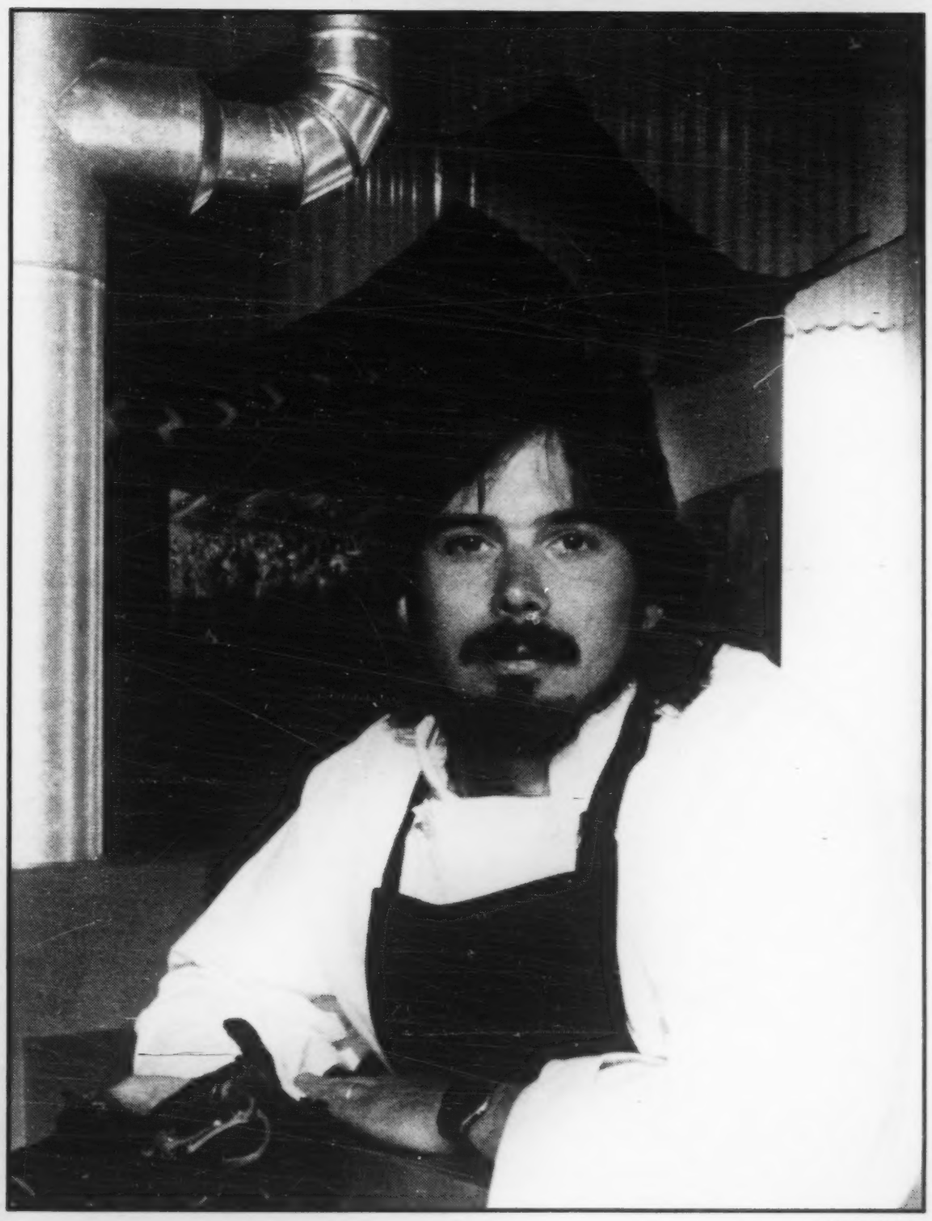
Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 42 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | October 22, 1990



NRN Photo

Casa U-Betcha executive chef John Huyck displays some chilies.

Casa U-Betcha wins big liquor sales with Latin flavors

by Alan Liddle

PORTLAND, Ore. — Early Sunday evening, late Tuesday night — even at those hours the scene is rarely serene at Casa U-Betcha.

Powered by a liberal portion-control policy in the bar and [illegible] Brazilian-style stew of wild-boar ham, linguiça, roasted tomato, peppers, herbs and black beans, the 82-seat restaurant rings up annual sales of $1.2 million. A full 50 percent of that total volume is generated in the bar, co-owner Jeff Steichen reported.

"Having hung out in bars for a long time, we know how to make them exciting," Steichen said, using the collective "we" to refer to his partner and friend since middle school, John Stafford.

"We put good people behind the bar, play good music and pour an honest drink," Steichen continued. "Guys who go after a 14 percent or 16 percent pouring cost are not going to make it. We see nothing wrong with an ounce-and-a-half drink, and if a customer complains, the chances are he'll have a double in front of him before you can blink."

Encouraged by the volume and healthy bottom line at their original Casa U-Bet-

(See CASA, page 99)

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House eyes new franchise rules

Franchisors fear congressional panel will grant new rights to franchisees

by Peter Romeo

WASHINGTON — A House committee is studying the state of relations between franchisor and franchisee to determine if federal regulations are needed to bolster licensees' defenses against chain headquarters.

Restaurant chains and other franchisors have voiced fears that the effort will tip the balance of power decidedly in favor of franchisees. The inquiry comes at a time when a number of foodservice franchisors are embroiled in disputes with their licensees.

In particular, franchisors express concerns about the recommendations of a report drafted for the House Small Business Committee by the staff of its chairman, John LaFalce, D-N.Y.

Citing a "gross disparity of bargaining power" between licensee and licensor, the study calls for such bold actions as setting conditions under which franchisors would be required to compensate operators of franchises that are terminated.

"A franchisee may have spent years building a successful business only to find, often with only 30 days' notice, that his franchise is being terminated," the study says. "The franchisee is not entitled to any refund of his initial invest-

(See FRANCHISING, page 4)

WORLD REPORT

US chains gain new leverage in Mexico

by Alan Liddle

MEXICO CITY — Mexico's reduction of trade restrictions and new legal support for franchising means that American restaurant chains may now require Mexican franchisees to use the same foods and equipment as their U.S. counterparts.

While several American franchisors are applauding the Mexican government's newfound flexibility, an executive with one of the first U.S. foodservice companies to franchise in Mexico City still cringes when he recalls his firm's first experiences south of the border.

"When it's available, we

(See MEXICO, page 98)

Michael Roberts trumps Trumps with casual bar

by Richard Martin

WEST HOLLYWOOD, Calif. — Chef Michael Roberts' daring artistry at Trumps restaurant here helped usher in a go-go decade for contemporary, upscale cuisine.

Now, the 10-year-old Trumps' veteran proprietor has cooked up a new tactic to satisfy the 1990s' burgeoning appetite for lower-cost, impulse-driven dining.

Along with a greatly expanded bar-room menu and modified-for-dining lounge seating, Roberts has launched a no-reservations policy in the famed restaurant's bar to attract a downscale, "spur-of-the-moment" dinner clientele.

"I feel like I have a new restaurant," Roberts says, while showing off the buffering "wall-of-water" waterfall he has installed to separate Trumps' unaltered main dining room — where dinner and wine for two can easily top $100 — from the revamped bar's drop-in ambience.

The expansive bar menu has quickly proved to be a potent means of suggestive selling. "Almost everyone who sits down orders something. It's quite amazing," explains Roberts, adding that bar-food sales in the first three weeks after the menu's introduction were triple the volume of food formerly sold in the lounge.

NRN Photo

Roberts and, behind his right shoulder, the 'wall-of-water.'

Roberts' decision to modify Trumps reflects to a degree a widespread shift by the na-

(See TRUMPS, page 99)

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 42 October 22, 1990

NEWS BRIEFS

Sept. sales rise 5.3%, costs increase 4.7%, government says

WASHINGTON — Sales at eating and drinking places rose year-over-year in September by the slimmest margin in four months, but the rate of increase was sufficient to outpace a modest surge in wholesale food costs.

On an unadjusted basis, restaurants chalked up a 5.3-percent year-to-year increase in sales during September, according to the Department of Commerce. In August, eating and drinking places turned in one of their strongest performance this year, with sales rising 6.7 percent from the level of the prior year.

Meanwhile, wholesale food costs, as measured by the Bureau of Labor Statistics' producer price index, rose 4.7 percent on an annual unadjusted basis in September.

Just one month earlier, the food cost component of the producer price index rose 5.3 percent.

Strong crop harvests, adequate summer rainfalls and improvements in freight and agricultural storage capabilities were cited for the easing in wholesale food costs.

BK declines comment on layoff reports

MIAMI — Burger King would not comment on widely circulated reports that the company was planning to slash its corporate and field payroll by laying off as many as 400 workers.

The most detailed report appeared in the Miami Herald. An article paraphrased unidentified sources who said regional vice presidents and franchisee field managers would be among the first to go if the ax swings.

Burger King spokesman Mike Evans declined to comment on the story.

However, some Burger King franchisees and suppliers said they had been hearing for some time that layoffs were imminent.

"We've been hearing these rumors for months, but I don't have anything substantial," said one large franchisee.

"We heard that 350 people were going to go by the middle of the month," said a company supplier, who, like the franchisee, spoke on the condition of anonymity.

A cutback would be the second major firing of workers since Grand Metropolitan PLC acquired Burger King in February 1989. In April of that year, the company laid off 550 of its 41,000 employees.

Trusthouse Forte's feeding division buys Epoch Food

TRUMBULL, Conn. — Trusthouse Forte Food Services Inc., a non-commercial feeder based here, has acquired Epoch Food Service, a Sunnyvale, Calif.-based dining management and catering firm, for $2.3 million.

Epoch, a privately held concern generating annual sales of about $14 million, operates more than 90 foodservice and vending facilities in California's Silicon Valley. Epoch's client portfolio includes Intel, Federal Express, Octel, Apple and Daisy Systems.

The Epoch agreement marks Trusthouse Forte's second acquisition in California in two years. In November 1988, Trusthouse purchased Servo Food Systems, a contractor based in Oakland.

LA Dodgers sign Marriott Corp. to stadium contract

LOS ANGELES — The Los Angeles Dodgers, hungry for an expanded menu lineup that would include the foods of Carl's Jr. and McDonald's, signed Marriott Corp.'s Sports and Entertainment Division to succeed 29-year Dodger veteran Arthur Food Services as Dodger Stadium's concessionaire next year.

Dodgers' president, Peter O'Malley, said the change is part of a plan to broaden menu choices and completely renovate all food facilities at the ball park. The signature foot-long Dodger Dog will be kept as part of the new brand-name fast-food team Marriott is expected to field in 1991, a Dodgers spokesman said.

Los Angeles-based Arthur Food, which introduced such items as chicken, fruit drinks and even sushi at Dodger Stadium during the 1980s without much success, said it was unwilling to invest in the facilities and menu upgrades sought by the Dodgers.

A Marriott spokesman said the company would make Dodger Stadium its flagship operation in sports and entertainment contracts.

McDonald's, Pizza Hut open units in China

SHENZHEN, China — McDonald's has invaded this region known for its spicy cuisine by opening a 500-seat unit, the chain's first in China.

Meanwhile, in Beijing, three Pizza Hut franchisees have teamed up with the chain's parent, Pepsico, to open the first full-service Pizza Hut restaurant in this Communist nation.

Beijing Pizza Corp., Beijing International Business Service Corp., ATIM Limited of Hong Kong and Pepsico opened the $1 million, two-story, 180-seat facility amid the pomp of a state celebration as dozens of diplomats and business executives looked on.

The three-story McDonald's is operated by McDonald's Restaurants Shenzhen Ltd., a subsidiary of McDonald's Hong Kong, which in turn is a venture of McDonald's Corp. The restaurant is situated in an area studded with factories built with foreign capital.

McDonald's said most ingredients used at the unit here are imported from Hong Kong. However, the chain noted it was seeking to develop local sources of supplies.

Pizza Hut has already disclosed plans to open a second restaurant in Beijing. The chain said it would obtain a major portion of the restaurants' food supply locally while importing some ingredients, including Mozzarella cheese. The menu will feature Pizza Hut's traditional offering, including a fresh salad bar.

Spectrum shuts Ciao after dispute over access for disabled persons

SAN FRANCISCO — Spectrum Foods has shuttered its Ciao Italian restaurant here as a result of a dispute with the Disability Rights and Education Fund, which has taken legal action to force the company to make the eating establishment fully accessible to disabled people.

A Ciao spokesman said the restaurant closed after serving a special meal to its employees and some longtime customers. Unless an out-of-court settlement is reached, the restaurant will remain closed pending the outcome of a November trial on the merits of the DREF lawsuit, he said.

Spectrum officials have indicated that the company is willing to improve handicapped access within Ciao, but they contend the age of the building makes the cost of fully complying with the law prohibitive. DREF officials assert that Spectrum, which has estimated annual sales of $30 million to $50 million, can afford to comply with access laws.

LA Coliseum suspends sales of beer after violence erupts

LOS ANGELES — Following an outbreak of fan violence that left one person hospitalized with a broken jaw, the Los Angeles Coliseum banned beer sales during the Oct. 14 contest between the Los Angeles Raiders and the Seattle Seahawks.

The decision to suspend sales came after the Los Angeles district attorney's office filed charges against a Raiders' fan who allegedly assaulted a Steelers supporter during a Sept. 23 game between the two clubs at the Coliseum.

The 92,000-seat stadium serves as the home field for both the Raiders and the University of Southern California. The stadium's food and beverage concessions are operated by Volume Services.

For the remainder of the Raiders and USC games, beer will be available for sale, but in 16-ounce portions instead of the usual 20-ounce size, and only brews with an alcohol content of 3.2 percent will be sold. In addition, sales will be terminated at halftime.

FINANCIAL NEWS

Only three restaurant stocks of 63 gain in value in 3rd Q

by Milford Prewitt

NEW YORK — In a clear loss of investor faith in the restaurant business, all but three of the 63 stocks tracked by Nation's Restaurant News Stock Index were losers during the third quarter, ended Sept. 30.

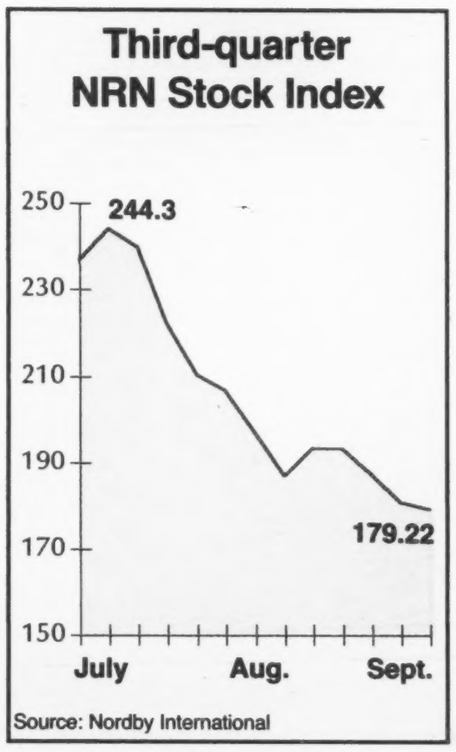
Mounting signs of a recession and looming fears of a Middle Eastern war have apparently shaken investor confidence not only in restaurant stocks but in other segments as well.

"If you looked at the big picture, all of the leading economic indicators are falling, and that is prompting investors to sell their low-capitalized stocks," said David A. Geraty, an analyst with Equitable Securities Corp, Nashville, Tenn. "The background to this bear market is increasing unemployment, decreasing consumer discretionary income and thin margins, just like they said on the presidents' council at MUFSO."

"So investors are jumping into segments they think are recession-resistant like energy and health care."

The NRN Stock Index — a market-weighted gauge of restaurant issues and the single largest industry index available — lost 24 percent of its value for the third quarter. The drop represented a 9-percent loss year-to-year.

But the NRN Index has been sliding ever since hitting a record high of 244.30 for the week ended July 6. By the week following the Iraqi invasion of Kuwait, the index lost 18 percent of its value and kept going to a low of 187.02 by Aug. 24. Although the index rebounded with a slight two-week uptick in volume during the first two weeks of September, it plummeted again, closing at the end of the quarter to 179.22, a 9-percent drop from the year-ago level of 198.



The percentage decline was higher than the loss recorded in both the Dow Jones Industrial Average and the Standard & Poor 500 but was a hair's-breadth better than the drop in value in NASDAQ, the giant over-the-counter exchange.

The DJIA fell 15 percent, the S & P 500 lost 14 percent of its value while more than a quarter of NASDAQ's value slithered away, down 25.4 percent for the quarter.

Chef's International, a nine-unit seafood dinnerhouse chain that is based in Point Pleasant Beach, N.J., was among the three companies whose stock price appreciated. The company led the index with a 53-percent gain in stock price, perhaps not a difficult feat to accomplish when the share price is 31 cents a unit.

The second-largest percent gainer was Showbiz Pizza Time Inc.'s share price, up 3.3 percent, to $23.25. It was followed by QSR, a Florida-based fast-food operator, up less than 1 percent, to $2.75.

Of the 60 losers, Tubby's Sub Inc., TCBY and Steve's Ice Cream led the list.

TCBY lost 65 percent of its share price during the quarter to close at $6.50, and Steve's Ice Cream fell 57 percent to end the quarter at 56 cents per share. Tubby's was the least-valued stock in the index, trading at 3 cents a share for an 81-percent drop.

Some companies that had been releasing strong earnings statements throughout the year also found their stocks had taken abeating during the quarter.

The stock price of National Pizza decreased 20 percent, to $24.50 per share. Just a quarter earlier, the giant Pizza Hut franchisee reported that per-unit sales had increased 17 percent.

Other prominent losers during the period — in light of rosy earnings statements — were Vicorp (down 31 percent, to $17.25), Collins Foods (down 26 percent, to 21.75 per share), Chili's Inc. (off 21 percent, to $28.63) and Sizzler (down 26 percent, to $6.63.).

Applebees International, the much-watched casual-themed restaurant chain, was among the top 10 losers in share value. The company's stock price fell 45 percent during the period, to close at $10.25 per share.

The industry's most heavily capitalized stock, McDonald's, fell 27 percent, to $25.88.

Rally's, the drive-thru-only burger chain whose shares were among the first to get battered following the Persian Gulf flare-up, nearly made it into the list of the top 10 losers with its stock price closing in the quarter to $10 per share, which is a 43-percent drop.

FOOD PRICE OUTLOOK

A roundup of the vegetable supply

by Patt Patterson

Most of the **fruit and vegetable packs,** both canned and frozen, are completed or nearly complete. A quick rundown on supplies:

In **peas,** petites are short in both canned and frozen packs. In frozen, there's fair supply with a good level of Grade A. In canned, there's fair to good supply with more Extra Standard than Fancy, and the latter is not grading high on the scale for most packers.

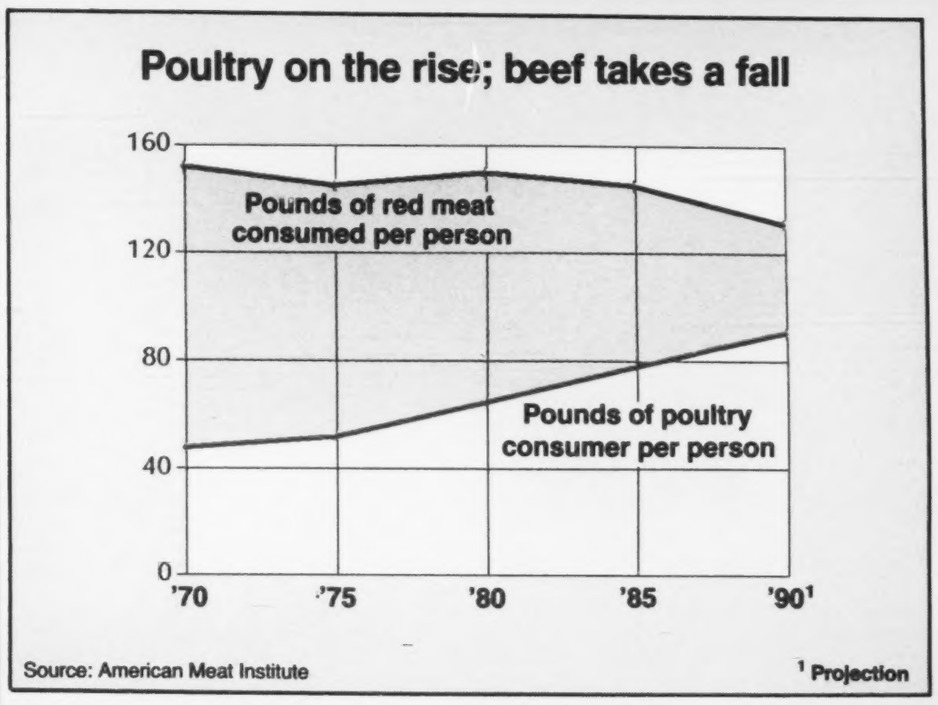
The Midwestern **corn** supply is on the short side in both canned and frozen packs, but quality is good, with lots of Grade A. The Northwestern supply is good, and quality has been running mostly Grade A. Frozen **corn-on-the-cob** finished without a freeze cutting the late pack. But supplies are still below the five-year average for the Midwest. Northwestern packers put up a good supply, but not enough to make up the shortage.

The **green beans** supply is abundant from both canners and packers, with the best quality in several years, running mostly Grade A. Packers are packing **carrots,** and both supply and quality look good. **Beets** are packing with prospects of good supply, especially in larger sizes. Small foodservice sizes may be short. Quality is excellent.

Canned **wax beans** are in not in as good a supply as forecast owing to carryover, but some packers are dropping prices.

The fall **spinach** crop is expected to be good, but the frozen leaf pack may not make up for the shortage resulting from spring mildew damage in California. **Okra** supplies are tight, and they are expected to stay short until imports start coming in January. Frozen **broccoli** — both domestic and imported versions — is overstocked with a multitude of deals available from packers.

FACT FILE



FINANCIAL DIGEST

Hotel stocks take deep plunge

ITHACA, N.Y. — Hotel stocks plunged deeper than any other industry segment in the United States during the past 12 months, according to research conducted by the School of Hotel Administration at Cornell University.

While hotel profitability softened, the market price for the group fell 55 percent for the year ended Aug. 31, according to Avner Arbel, a professor of finance and author of the study.

But Arbel noted industries closely allied with hotels — airlines, restaurants and real estate — were big losers on Wall Street. "The decline of hotel shares took place across the board, affecting virtually all hotel companies that are listed on Wall Street," he said.

He noted that common stock of Marriott Corp. and Hilton Hotels, for example, both fell 72 percent.

The only exception to the hotel decline were Club Med, operators of resort hotels and vacation packages, whose shares rose 6 percent.

TCBY profits drop 42 percent

LITTLE ROCK, Ark. — Citing a decrease in same-store sales and franchising revenues, increased competition, a rise in both milk prices and general and administrative expenses, profits for TCBY fell 42 percent, to $6.7 million, for the third quarter, ended Aug. 31.

Third-quarter sales and franchising revenues for the 1,900-unit soft-serve yogurt chain based here dipped 11 percent, to $43.6 million.

During the quarter TCBY same-store sales fell 16.7 percent and 12.7 percent for the nine-month period.

Profits for the nine-month period dipped 16 percent, to $19.6 million, despite a 6-percent increase in revenues, to $124.2 million.

Owing to the addition of 99 units to the system during the third quarter, systemwide sales increased 13 percent, to $118 million.

Major shareholders blast La Quinta plan

SAN ANTONIO — Two groups of stockholders that collectively control about 30 percent of La Quinta Motor Inns Inc.'s 13.1 million shares outstanding have voiced opposition to La Quinta's recently adopted shareholder rights plan.

An investment group led by the Bass family of Texas and Industrial Equity (Pacific) Ltd. said the hotel chain should rescind the "poison pill" plan it adopted last month. Included in a recent SEC filing was a letter from Industrial Equity to La Quinta's top executive.

Consolidated plans $30M recapitalization

INDIANAPOLIS — Consolidated Products Inc.'s board has approved a $30 million recapitalization plan calling for a special dividend valued at $7.25 financed by $24 million in new debt.

The proposed dividend consists of $4.25 in cash and $3 per share in 10-percent subordinated convertible debentures.

The company, which operates and franchises 130 restaurants under the names Steak n Shake and Mustard's, said the recapitalization is designed to provide shareholders with immediate value since the company had "not received adequate recognition in the financial marketplace" for its sales and earnings performance.

Homestyle Buffet names CFO

OLDSMAR, Fla. — Homestyle Buffet Inc. has named Ernest Trigilio chief financial officer and vice president and controller.

Trigilio succeeds Peter Lazzari, who left to launch his own accounting and consulting practice. Trigilio most recently was president of Grey Lane Management Inc., owner of a pizza chain.

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Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 43 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | October 29, 1990

Burger King cuts 300 employees

Regional payrolls slashed as company splits into company, franchise divisions

by Milford Prewitt

MIAMI — Burger King has swung a scythe through its employee ranks for the second time in as many years, on this occasion firing 300 workers nationwide in a move the company said was needed to sustain growth and improve operations.

All but 30 of the 300 positions were in the company's regional offices, a network of 19 corporate outposts that will be cut back to 12 locations.

In April 1989 the company laid off 550 workers.

The new round of layoffs is part of a major corporate restructuring effectively creating two companies inside of one: one for franchise operations and one for company operations. Each will have its own president reporting to Burger King chief executive Barry Gibbons.

Gibbons

The plan — which eliminates several vice president positions — includes a relatively unusual operations and financial feature in which each of the company's 875 restaurants domestically will pay rent, royalties and other related fees to Miami as if the operations were run by franchisees.

Previously, Burger King's company stores contributed to the corporation's general operating expenses, but many did not contribute to the advertising co-op. As in any business operation, whatever was left after taxes, payroll, and other general and administrative costs went to gross profit.

Under the new plan, every domestic company restaurant will pay the same percentage

(See BURGER KING, page 65)

Hospital foodservice faces new budget crunch

by Rick Telberg

DENVER — Hospital foodservice administrators, already shell-shocked from a decade of cuts in federal funding, were bracing for a new round of layoffs and budget constraints as Medicare spending went on the chopping block to help balance the federal deficit.

Thousands of hospital and nursing home foodservice directors converged here as part of the 73rd annual convention of the American Dietetic Association. The ADA represents almost 60,000 registered dietitians, most of whom work in [illegible]nstitutions.

[illegible]r cuts in Medicare [illegible]uld be devastat-[illegible]bbott Hess, an author, consultant and incoming president of the ADA, declared in an interview.

Almost 12,000 ADA members convened in the mile-high city's Colorado Convention Center for a week of meetings and seminars on advances in nutritional science to endorse new food-package labeling rules, to network and develop professional skills, and to tour about 350 exhibit booths.

But among health-care professionals, dollars-and-cents issues seemed to dominate informal discussions.

As they gathered at the foot of the Rocky Mountains, back in Washington, D.C.,

(See HOSPITAL, page 65)

New "Rx" for health-care foodservice

(A selection of strategies discussed at the ADA convention)

Cutting costs

- Switch from disposables to permanent ware
- Hire temporary or part-time workers instead of permanent or full-time ones
- Consolidate purchasing for volume discounts
- Adopt cook-chill production

Raising revenue

- Develop diet counseling practices, such as weight-loss clinics
- Promote on- and off-site catering
- Bill for doctor-ordered dietary consultations with patients

Supermarkets recruit workers from restaurants

by Jack Hayes

ATLANTA — Supermarket operators across the nation, having proved they can open foodservice concepts and win customers, are now going after one of the most crucial resources of America's restaurant industry: its employees.

Promising fatter benefit packages, shorter working hours and often bigger wages, grocery stores are hiring cooks, executive chefs and even managers away from traditional restaurants in order to staff their own feeding operations.

"I never dreamed I'd be working for a supermarket chain," said Culinary Institute of America alumnus Marc Waltzer, who traded his restaurant toque for the title of corporate chef with Minneapolis-based Marsh Supermarkets Inc.

"It's a new frontier for foodservice people. I saw my first New Year's Eve off in nine years," added Melinda McKee, former sous chef at The Heritage in Cincinnati and now executive chef with Howard Solganik & Associates, a firm that sells foodservice ideas to gro-

(See SUPERMARKET, page 63)

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Debate over smoking ban reignited by new LA city council proposal

by Richard Martin

LOS ANGELES — After the City Council snuffed out a proposed ban on smoking in foodservice establishments this month, restaurateurs who thought the smoke would settle began to fear an expensive trip from the frying pan into the fire.

Following a 90-minute debate and a 6-to-6 ballot deadlock that left Councilman Marvin Braude's controversial proposal two votes short of passage, the council voted 8 to 4 to draft a compromise measure that would require restaurants with more than 50 seats to install costly ventilation and partition gear to protect non-smoking sections.

More on California smoking bans

See pages 4, 18

"If they're going to give us a choice like that, they may as well give us guns and let us shoot ourselves," fumed Michael Green, general manager of the Pacific Dining Car restaurants.

Spokesmen for the coalition of restaurateurs that teamed up with tobacco indus-

(See SMOKING, page 4)

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Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

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Vol. 24, No. 43 October 29, 1990

NEWS BRIEFS

Carvel dead at 84

PINE PLAINS, N.Y. — Tom Carvel, a former truck mechanic who turned a $15 loan from his wife into the third-largest ice cream chain in the country with annual revenues that approached $300 million, has died at his home here of unknown causes. He was 84.

A Greek immigrant who was best remembered for his throaty radio and TV voice-overs for the 700-unit chain which bears his name, Carvel began the company as a one-man trailer operation in Hartsdale, N.Y.

Last year, Carvel sold his stake in the company to Investcorp, an international banking concern for a reported $80 million. Since the sale, Carvel had been in a consulting capacity to the company.

House seeks stiffer child labor fines

WASHINGTON — The House of Representatives has startled the foodservice industry by including in its budget reconciliation bill a provision to dramatically increase the penalties for violations of child-labor laws.

The measure would establish a minimum penalty of $1,000, which is currently the maximum fine per violation. That ceiling would be raised tenfold, to $10,000. In addition, the change would permit the U.S. Labor Department to assess the maximum fine without justifying the penalty in court.

Lawmakers have been seeking to stiffen the penalties in the wake of what they allege is a sharp increase in violations of child-labor laws, particularly those limiting the hours that 14- and 15-year-olds may work. However, lawmakers were not expected to seek a change until a new Congress convenes in January.

The foodservice industry has maintained that better education of employers would curb violations of child-labor laws more effectively than would stiffening the penalties.

Menu price inflation slows

WASHINGTON — Foodservice operators held the line on menu prices in September, with year-to-year, unadjusted prices for food away from home rising 4.5 percent, according to the Labor Department's consumer price index.

The softening in menu price inflation comes after restaurants had carved out six months of increases that hovered near 5 percent year to year.

September's hike ties the rate of increase in January as being the lowest this year.

When September's 5.3 percent annual sales gain at eating and drinking places is contrasted against the 4.5 percent yearly rise in menu prices, then restaurant traffic — which analysts calculate by subtracting menu prices percentage differences from sales percentage differences — increased in September by eight-tenths of a percent. In August, restaurant traffic fell 1.3 percent.

Arby's acquires Daddy-O's Express

ATLANTA — Arby's Inc. has purchased the five-unit Daddy-O's Express, a double drive-thru chain, from Columbus, Ohio-based G.D. Ritzy's Inc. for an undisclosed amount.

Daddy-O's outlets, which range from 550 to 650 square feet, serve up low-priced hamburgers, hot dogs, chicken sandwiches, burritos, french fries, salads and milkshakes.

Arby's — which is also planning to launch its Roadhouse Ribs barbecue concept in December — said it plans to franchise both concepts.

Spectrum settles disability lawsuit, reopens Ciao

SAN FRANCISCO — Spectrum Foods has reopened its Ciao Ristorante after reaching an out-of-court settlement with the Disability Rights Education & Defense Fund, which had sued the company for failing to make Ciao accessible to handicapped people.

The restaurant will be open for the holiday season and then close for construction after the first of the year. Bringing the restaurant up to code is expected to cost more than $200,000, Spectrum vice president of operations Hazem Ouf indicated.

Spectrum recently closed 11-year-old Ciao pending a November trial on the merits of the lawsuit.

The company said it was willing to improve handicapped access but maintained that the age and configuration of the building housing the restaurant made it cost prohibitive to fully comply with access laws.

Equal access advocates charged that 14-unit Spectrum, which rings up annual sales of about $40 million, could afford to do the work.

Hattaway opens new steak house

ORLANDO, Fla. — Former Red Lobster Restaurants president Bill Hattaway said he is turning 550 to 600 covers on weekends in his new 275-seat Outlaws Steakhouse & Cantina, which just opened on East Colonial Drive here.

"I think we're going to make it with this thing," said Hattaway of his hybrid unit, which he calls "a steakhouse for the '90s." The concept marries a casual American West theme with seafood and steaks.

In addition to 24-ounce Porterhouse, and swordfish at $14.95, Outlaws serves nine sandwiches and nine entrees under $10.00. Signature starters include Armadillo Eggs (cheese-stuffed and fried jalapeño peppers).

Bush backs industry on rights bill

by Peter Romeo

WASHINGTON — In the wake of President Bush's rejection of Congress' Civil Rights Act, foodservice executives are cautiously voicing hopes that the battle against the much-feared legislation has virtually been won — at least for now.

Democratic Congressional leaders have vowed to override the president's veto. However, when the landmark act was passed by the House and Senate, it failed to garner the two-thirds majority that would be necessary to ram the measure into law without the president's signature.

In addition, supporters of the Civil Rights Act do not have much time to muster support for their cause. Congress is scrambling to hammer out a budget accord with the White House and is widely expected to recess immediately afterward.

"I don't think we're going to see any further activity on this during the current Congress," said Elaine Graham, director of federal relations for the National Restaurant Association.

However, she cautions that civil-rights advocates may resume their struggle to enact the measure when Congress reconvenes in January.

The Civil Rights Act is "potentially the most devastating piece of legislation for our industry in years," Herman Cain, president of Godfather's Pizza and chairman of the NRA's government affairs committee, told fellow NRA board members at a recent meeting.

The measure would permit women and minority members who believe they were the victims of job discrimination to sue their employers for large sums of money, with juries deciding the exact amounts.

Moreover, instead of requiring the plaintiffs in such suits to prove that they were victims of prejudice, the law would put the burden of proof on the defendants. To win a case, a business would either have to demonstrate that it employs an appropriate proportion of women and minorities, or convince the jury that the ratios are out of whack because of "business necessities."

Foodservice trade associations and other business groups have argued that the test of culpability would prompt employers to set hiring quotas for minorities and women.

President Bush has concurred with that view and has promised to reject the act unless it is substantially altered.

FINANCIAL NEWS

Charge drains Pepsico's 3rd Q restaurant earnings

by Bill Carlino

PURCHASE, N.Y. — After posting 39-percent and 35-percent leaps in year-to-year operating profits during its first two periods, respectively, Pepsico's restaurant division fell to earth in the third quarter, reporting a modest 6-percent uptick in profits, to $147.3 million.

Results were flattened by a $17.6 million pretax charge Pepsico took for the planned closure of underperforming restaurants in all three of the company's chains. Of the charge, $9 million was earmarked for Pizza Hut, $4.6 million for Kentucky Fried Chicken, and $4 million for Taco Bell.

Before the charge, operating profits were up 19 percent, to $164.9 million.

For the 12-week period ended Sept. 8, the foodservice and soft-drink conglomerate based here said net sales for its Taco Bell, Pizza Hut and Kentucky Fried Chicken businesses rose 18 percent, to $1.5 billion.

The company said it incurred the store closure charge in part to blunt the taxable portion of the $100.2 million gain it received from August's initial public offering of Kentucky Fried Chicken, Japan — Pepsico's joint venture with Mitsubishi.

A spokesman added that the capital received from the IPO was applied to Pepsico's corporate income, rather than directly to restaurant earnings.

On an individual basis, Taco Bell turned in the best performance of Pepsico's chains in the third quarter, reporting a 19-percent jump in profits, to $48.3 million, on sales of $432.6 million, a 16-percent hike.

In addition, the 3,000-unit quick-service Mexican food chain also showcased an 11-percent increase in same-store sales, the highest in Pepsico's restaurant group.

Operating profits for Pizza Hut rose 5 percent, to $65.1 million, on a 21-percent sales gain, to $719.1 million.

The 6,800-unit operation also reported a same-store sales hike of 5 percent over figures from the third quarter last year.

However, profits for the 8,000-unit KFC slumped 7 percent, to $33.9 million, after the $4.6 million charge for store closures.

The company said discount programs hurt profit margins at U.S. units.

Earlier this year, both franchised and company-owned units of KFC began discounting their five- and 10-piece buckets of chicken in a heralded return to "1979" prices.

Sales at KFC jumped 14 percent, to $371.1 million, during the period, but same-store sales rose just 2 percent.

The profit dip at KFC comes amid a spirited comeback effort by the chain. During the first two periods of the year, KFC's profits had been a source of optimism for Pepsico with 37 percent and 39 percent climbs, respectively.

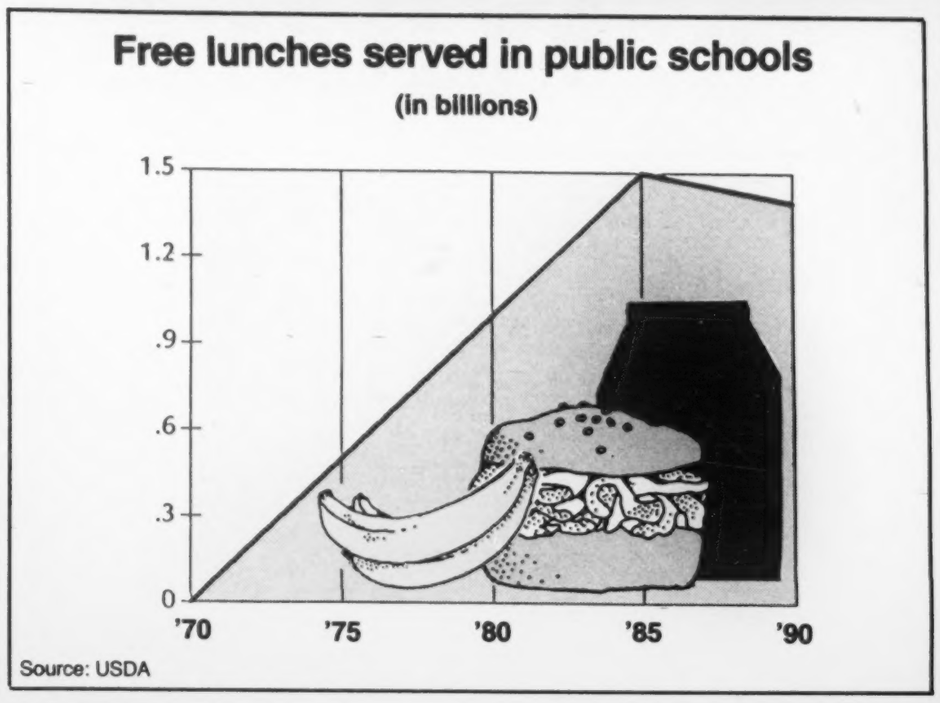
The chain also installed S & A Corp veteran Kyle Craig as president of KFC USA and rolled out its long-anticipated "Hot Wings" menu item.

For the 36-week period, Pepsico restaurant profits jumped 22 percent, to $375.9 million, on a 9-percent increase in sales, to $3.8 billion.

In a profit breakdown for the nine-month span, KFC reported the biggest gain in profits, with a 31-percent hike, to $93.4 million, while Taco Bell's profits jumped 21 percent, to $102 million. Pizza Hut reported profits of $181 million, a 20-percent gain over the year-ago 36-week period.

Overall, net income for Pepsico Inc. jumped 25 percent, to $336.6 million, on a 15-percent increase in sales, to $4.5 billion.

FACT FILE



FINANCIAL DIGEST

ShowBiz overcomes year-ago loss

IRVING, Texas — Buoyed by a comparable same-store sales gain of 5.2 percent, ShowBiz Pizza Time Inc. overcame a year-ago third-quarter loss to make $4.3 million in net income, on a 10-percent gain in revenues, to $48.4 million.

A year ago the company lost $1.8 million on revenues of $44 million.

For the 36 weeks ended Sept. 28, revenues jumped 7 percent, to $138.9 million, with net income soaring to $11.6 million vs. $2 million a year ago.

Earnings last year were adversely affected by a $4.5 million asset write-off related to the closing of 27 Monterey House restaurants.

The company attributed its improved performance to a 5.2-percent gain in comparable-store sales among company-owned ShowBiz and Chuck E. Cheese restaurants and the 29.4-percent same-store sales gain that was shown by Monterey's Tex-Mex Cafe.

"Our Monterey's Tex-Mex Cafe Restaurants achieved profitability for the first time this quarter," said Richard M. Frank, chairman and chief executive officer.

Trump fights bankruptcy at Taj Mahal

WASHINGTON — In an Securities and Exchange Commission filing, Donald Trump's Taj Mahal Funding Inc. and Trump Taj Mahal Associates L.P. said it might be forced to file for bankruptcy protection if a recent restructuring is rejected.

Trump said the company and the partnership believed that the restructuring amendments were its only alternative to filing for bankruptcy.

Under the restructuring plan, additional bonds worth a principal amount of $47.3 million would be issued. It would also permit the issuance of up to $164.7 million worth of series B bonds and would allow the Nov. 15 interest payment on the series A bonds to be paid with additional bonds. Also proposed are changes in the interest rate structure and maturity on the various bonds.

Old Spaghetti Warehouse net soars

GARLAND, Texas — Old Spaghetti Warehouse Inc. said net income soared 56 percent in the fourth quarter, to $934,381, on a 39-percent increase in revenues, to $10.6 million.

For the year ended June 30, net income rose 53 percent, to $2.9 million. Revenues for the year rose 33 percent, to $37.2 million.

OSW operates 15 restaurants in Texas, Ohio, Florida, Tennessee, Georgia, New York, Pennsylvania and Oklahoma. The company had expected to open a new unit in downtown Little Rock, Ark., this month and plans to open another in downtown Charlotte, N.C. in January 1991.

Cooker posts 24% profit rise for 3rd Q

COLUMBUS, Ohio — Cooker Restaurant Corp., operator of 11 Cooker Bar and Grille restaurants in four states, posted a 24-percent rise in net income, to $529,000, for the third quarter ended Sept. 30.

The company reported a 15-percent rise in sales, to $8.7 million, for the quarter.

For the first nine months of the company's fiscal year, net income rose 35 percent, to $1.5 million, on a sales rise of 17 percent, to $25 million. Chief operating officer William Esch attributed the rise in sales to continued operating margin improvement as well as to restaurant openings in Livonia, Mich., and Columbus, Ohio.

FOOD PRICE OUTLOOK

Roundup of this year's fruit supplies

by Patt Patterson

Most of the fruit and vegetable packs, both canned and frozen, are completed or nearly complete. Last issue we looked at vegetable supplies. This week here's a quick rundown on fruit supplies.

The **canned cling peach** pack from California was up slightly, about 3 percent, and carryover was strong, so supplies should be more than adequate and prices may slack off a bit.

Imports are down, but South America is taking a bigger role. For the first seven months of this year, Argentina and Chile together accounted for nearly 38 percent of canned cling peach shipments. Greece was still the major factor, with nearly 52 percent of the market, and nearly four-fifths came in foodservice or larger sizes.

Frozen peaches are in a tighter position, and prices of pie slices are running higher than last year's.

Freestone peach supplies are tight. There was practically no carryover from last year, and this year's pack was way off. Prices have been firm to rising.

The **fruit cocktail** pack is expected to be slightly larger, but expect prices to remain stable. Export demand has been strong, and that's siphoning off a lot of product.

The **pear** pack is up in both California and the Northwest, about 5 percent, so supplies should be good. It's still too early to tell how prices will run.

Apples are a mixed bag. **Frozen apples** will be in greater supply than the past five-year average, although they're down a bit from last year. **Canned sliced apples,** on the other hand, are expected to be just about at the five-year average.

The applesauce pack is expected to be about 5 percent smaller than the five-year average and down about 2 percent from last year's pack. There could be some increases in **applesauce** prices.

Pineapple supplies are adequate. Hawaii has posted a good pack, but Thailand production is down sharply, with much of what has been packed going to Japan.

Thailand will be out of the Fancy label game for much of the next year.